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Future of the
Canadian Financial
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Background Report on Extending Bank Powers to Include Light Vehicle Leasing

by
DesRosiers Automotive Consultants Inc.

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Research Paper Prepared for the Task Force on the Future
of the Canadian Financial Services Sector



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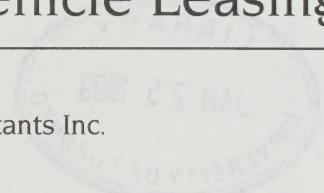
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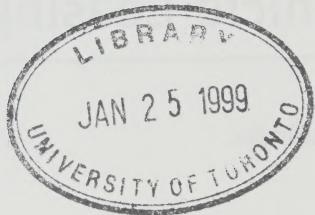


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Background Report on Extending Bank Powers to Include Light Vehicle Leasing

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DesRosiers Automotive Consultants Inc.





The views expressed in these research papers
are those of the authors and do not necessarily reflect
the views of the Task Force on the Future of the
Canadian Financial Services Sector

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Table of Contents

Introduction	7
Executive Summary	8
1. Background.....	10
Why Allowing Banks to Lease Vehicles is so Controversial	10
The Structure of the Automotive Sector	12
2. Fleet Versus Retail Sales of Vehicles	20
3. Automotive Financing Products.....	22
Conditional Sales Contracts (Loans)	22
Hybrid CFCs/Near-Lease Products.....	22
Leases.....	23
4. Players in the Canadian Automotive Finance Market.....	25
Banks and Trust Companies	25
Vehicle Distributors' Finance Affiliates.....	27
Independent Finance Companies	28
Credit Unions.....	29
Vehicle Dealer Owned Finance Companies	30
Cash	30
Market Summary by Player	30
The Leasing Market in the U.S.	32
Corporate Concentration of Leasing in Canada.....	33
5. Financing Trends in the Total Vehicle Market	34
6. Review of Leasing and Leasing Issues.....	41
History of Canadian Regulations Governing Banks in Leasing	41
Reasons for the Popularity of Leasing	42
Consumer Economics: Lease vs. Loan	45
How Finance Products are Sold.....	48
Disclosure Issues.....	48
End of Lease Issues - Wear and Tear.....	52
End of Lease Issues - Residual Value Risk.....	52
Advantages and Disadvantages of Leasing for the Auto Sector.....	58
Car Dealers – Advantages	58
Car Dealers-Disadvantages	58
Vehicle Distributors and their Leasing Arms – Advantages.....	59
Vehicle Distributors and their Leasing Arms – Disadvantages	59
Capital Cost Allowance (CCA) and Leasing	60
The Future of Leasing in Canada.....	61

7. Detailed Arguments Against Extending Bank Powers To Leasing	64
Logic of Arguments Against Extending Bank Powers.....	64
The Safety Net Subsidy	66
Conflict of Interest / Customer Control.....	67
Past Behaviour of Banks in New Markets.....	69
Predatory Pricing	69
Key Role of Vehicle Distributors Finance Affiliates	71
Bank Management of Residual Value Insurance and Credit Risks.....	72
Banks and Competition in the Vehicle Leasing Market.....	73
Cross-selling	74
8. Detailed Arguments In Favour of Extending Bank Powers to Leasing	75
The Relationship between Lending and Leasing	75
Canadian versus Foreign Ownership	75
Consumer Benefits.....	76
No “Disaster Scenarios” in the United States	79
9. U.S. Experience With Bank Leasing.....	80

Appendix

A: Size and Structure of the Market	85
Financing Trends in the Retail Vehicle Market.....	85
Financing Trends In the Fleet Vehicle Market	86
B: Summary of the Positions of the Various Players	89
Banks and Trust Companies	89
New Vehicle Dealers	90
Asset-Based Lenders.....	92
Captive Finance Companies	94
Credit Unions	95
Small Business Groups	95
Consumer Groups	96
C: List of Individuals Interviewed.....	98
D: Research reports provided by participants and correspondence	106
E: List of Task Force Submissions and Public Documents Reviewed.....	187

List of Tables and Charts

Tables:

1.	Two Approaches to Vehicle Retailing in the U.S.....	15
2.	Property and Building Ownership by Age of Dealer	16
3.	Dealer Owned or Controlled Leasing - 200 + Vehicle Leases Booked in 1996	18
4.	Number of Dealers in Canada - 1987 to 1997	19
5.	Structure of the New Light Vehicle Market - Fleet vs. Retail Sales.....	21
6.	Market Penetration by Method of Financing a New Vehicle in 1997	31
7.	U.S. Leasing Market - Share by Source	32
8.	Market Share Comparisons in the Leasing Market - Canada vs. U.S.....	33
9.	Leasing Concentration by Type of Player.....	33
10.	Percent of Retail Sales Which Are Leased	34
11.	Structure of the New Light Vehicle Finance Market - Cash vs. Lease v. Loan.....	36
12.	Structure of the New Light Vehicle Finance Market - Fleet vs. Retail Leasing	36
13.	Structure of the New Light Vehicle Finance Market - Total Loans by Source.....	37
14.	Structure of the New Light Vehicle Finance Market - Total Value of Paper Issued	39
15.	Vehicle Affordability - Canada vs. U.S.	42
16.	Financing vs. Leasing an Average Vehicle.....	47
17.	Financing vs. Leasing an Average Vehicle - Varying Interest rates	49
18.	Residual Value Performance - Canada - 1991 to 1996.....	55
19.	Residual Value Accuracy for all Vehicles - 1991 to 1995 Model Year and Percentage of Original Manufacturers Suggested Retail Price (MSRP).....	56
20.	Current Relative Competitiveness of Loans and Leases in Canada vs. the USA	76
21.	Bank Consumer Loan Rates (as of April 17, 1996).....	78
22.	Ten Leading Vehicle Lessors in the United States - Fiscal 1996	83

Charts

1.	Structure of the Auto Retail Sector.....	13
2.	Vehicle Distributors in Canada.....	14
3.	Functions Associated with Finance Products	24
4.	Vehicle Financing Products Available Through Banking Institutions	26
5.	Vehicle Financing Products Available from Captive Finance Affiliates of Vehicle Distributors	27
6.	Vehicle Financing Products Available from Credit Unions in Canada	29
7.	Structure of the New Light Vehicle Finance Market - Lease vs. Loan vs. Cash	35
8.	Value of Lease Financing and Loan Market.....	38
9.	New Vehicle Affordability - Canada vs. U.S.A.....	43
10.	CCA/UCC on an Average Vehicle in Canada	61

Introduction

The Task Force of the Future of the Financial Services Sector was formed in December 1996 to inform the Minister “what needs to be done to ensure our financial system remains strong and dynamic as we move into the 21st century”. The Task Force was instructed to make recommendations on any public policy issue that affects the environment within which Canada’s private sector financial services providers operate. One of the issues the Task Force has decided to review is a proposal to amend the Bank Act to allow chartered banks to engage directly in vehicle and other consumer leasing. This is in contrast to the existing regulatory framework, set out in the 1980 version of the Act, that allows banks to participate in that market only through arm’s-length subsidiary companies (they are allowed to lease heavy trucks and equipment weighing more than 21 tones).

DesRosiers Automotive Consultants was retained by the Task Force to compile an overview of the Canadian light vehicle financing industry. In accordance with the Terms of Reference, the research and analysis incorporates three principal steps:

1. A review of the current size and structure of the vehicle finance market, including leasing, in Canada. This includes a review of retail and fleet sales, summary descriptions of the types of financing products available, and identification of corporate players. Also included are reasons for the growing popularity of leasing, discussions of consumer and industry issues, with leasing and a historical overview of Canadian regulations governing and U.S. market experience with banks in leasing.
2. A review of written submissions to the Task Force dealing with the bank leasing issue, identifying key arguments for or against amending the bank leasing provisions of the Bank Act.
3. A series of consultations and interviews with senior representatives of stakeholder organizations. These were geared to elaborating on the arguments presented in their respective submissions, and prioritizing the issues dealt with.

All three steps were also supported by a review of internal databases, government documents and trade journals. While comments are made by DesRosiers Automotive Consultants on the relevance and/or effectiveness of some of the arguments advanced by stakeholders, no recommendations on policy direction are made or are intended. The purpose of this study is limited to documenting and discussing divergent viewpoints, gathering and highlighting points of information that are especially worthy of the Task Force’s attention.

Executive Summary

- Vehicle leasing by consumers has grown rapidly in popularity in Canada in the 1990s. Leasing has long dominated in the fleet market. In the consumer market, the share of new vehicles leased has grown from 4 percent in 1990 to 46 percent in 1997.
- Leasing has grown in popularity primarily because of "sticker shock" - the rising price of new vehicles relative to disposable incomes. When leasing a vehicle, the consumer pays only for the depreciation of the vehicle, rather than the entire capitalized cost. Monthly payments are thus lower than for a conventional loan on a given vehicle. This addresses psychological barriers to consumer participation in the new vehicle market, and thus helps sustain that market in the face of affordability concerns.
- The growth in leasing has also been facilitated by steadily rising residual (used car resale) values since the early part of the decade. Since lease payments are calculated on the basis of anticipated depreciation, high residual values have enabled lessors to advertise very attractive monthly payments. Rising residuals are self-limiting, however; eventually laws of substitution come into play as consumers view new vehicles as a more attractive alternative. Fluctuations in residuals are a major source of risk in the leasing business. When residuals are falling, leasing companies may lose hundreds or even thousands of dollars on each off-lease vehicle.
- Canadian banks feel that they have been placed at a disadvantage in the automotive financing market by virtue of being squeezed between the growing trend toward consumer leasing and existing provisions of the Bank Act that prohibit banks from direct participation in the vehicle leasing market. Amending the Bank Act to allow leasing by banks would, according to the banks, allow them the opportunity to compete on an equal basis for a share of the vehicle financing market.
- The principal arguments in favor of amending the Bank Act to allow direct leasing by banks center on promotion of competition and Canadian ownership.
- Banks maintain that changing the bank act leasing provisions would promote competition. In the United States, where banks have been permitted to lease vehicles since 1963, lease interest rates are lower, and banks coexist with traditional players; they have not crowded out the captive finance arms or independent leasing companies.
- It is further argued that in Canada, the current dominance of the manufacturers' finance affiliates constitutes foreign oligopoly control of the market. Bank entry could significantly extend Canadian participation.

Stakeholders in the automotive distribution and retailing and small business sectors oppose changes to the leasing provisions of the Banks Act.

- Opponents stress that U.S. experience is not entirely relevant to Canada. The structure of the Canadian banking industry is fundamentally different. They allege that Canadian banks derive a huge competitive advantage from their oligopoly power, access to the payments system, coast-to-coast retail branch networks, and the “too big to fail” doctrine. They could take advantage of the “safety net subsidy” to crowd out existing players and dominate the market.
- A combination of cross-subsidization and inexperience in managing residual risk could produce a pattern of large-scale entry and exit by banks, destabilizing the leasing market and disrupting its infrastructure, according to opponents.
- Opponents maintain that direct participation in the vehicle leasing market would place banks in a conflict of interest with dealers, who would be both customers and competitors. Banks would be tempted to squeeze dealer lessors in their market area by denying credit and using customer lists.
- Opponents of bank leasing further argue that ample competition already exists in the market. In addition to the manufacturers’ finance affiliates, independent leasing companies, credit unions and about 1,900 dealers registered as vehicle lessors in the Canadian market. Banks are entitled to share in the growth of consumer vehicle leasing through lease financing, leasing subsidiaries and near-lease products. Subsidized direct competition by banks, on the other hand, could crowd out existing players and leave the banks with oligopoly control of the market. This in turn, would result in higher lease interest rates and diminished choice for the consumer.

1. Background

Why Allowing Banks to Lease Vehicles is so Controversial

Before getting into the body of this report we thought it was important to discuss why extending bank powers to leasing is so sensitive and controversial from both sides of the debate. The banks have targeted leasing as an important area for legislative change and the auto sector has put fighting this issue as one of the top 2 or 3 items on its lobbying agenda. Indeed, some of the submissions to the “Task Force” and interviews for this study have bordered on passionate pleas on both sides of the debate rather than putting forth economic arguments of substance. There also have been a number of very substantive documents and research reports commissioned to support one side or the other indicating the importance of the issue.

At the root of the sensitivity, from the auto sector point of view, has been a series of unique events which have highlighted the critical importance of leasing to the industry.

First, the Canadian market for light vehicles has just emerged from an unprecedented period of sluggishness. Sales peaked in 1988 and were substantially below peak sales levels for eight consecutive years. This is more than twice as long the longest previous downturn in vehicle sales. To put this in perspective, sales during this downturn averaged 300,000 to 400,000 units per year less than during the healthy markets of the mid-1980s. Close to 500 dealers disappeared and surviving dealers were forced to completely refocus their business strategies to other profit centres within their dealerships in order to survive. Beside their parts and service departments and the used vehicle departments, most dealers also focused their strategies on their finance and insurance office and thus leasing of vehicles.

One of the primary reasons the markets have been so poor and one of the primary issues driving the growth of leasing in Canada has been the issue of vehicle affordability. Canadians now need to work about 30 weeks to pay for a new vehicle compared to only about 20 weeks a decade ago. The affordability issue is discussed in detail later in the report. Leasing lowers monthly payments and thus makes it easier for consumers to purchase a new vehicle.

On this basis it could be argued that, had cash purchases and loans remained the principal means of acquiring vehicles in the retail market, Canadian vehicle sales could have collapsed even further in the mid-1990s. This is one of the reasons the industry has concerns about allowing banks to lease vehicles. They argue that in poor market situations the banks may back out of leasing and others may not be able to respond with alternative programs which could lead to a worsening of an automotive downturn.

Second, leasing has proven to be very profitable for the auto sector from a number of perspectives and is one of the main reasons more car dealers did not disappear. Leasing has provided a number of direct ways to achieve higher profits and a number of indirect ways as well.

Leasing has obviously helped sell more new vehicles with the direct profits arising from the sale going to the industry. The total interest charges on a lease are almost always higher than on a loan and thus leases are more profitable than loans. One exception to this are leases in which the interest rate is subsized or bought down by the lessor as an incentive for consumers to lease. This is called “subventing” of rates.

Consumer groups also argue that leasing is a very complex financing product and, with or without full disclosure, some companies in the leasing industry have increased profits by “packing” their leases with higher capital costs for the vehicle or higher interest rates. In some cases there have also been additional administration charges. These issues all add to the profitability of leasing. Executives in the automotive sector would argue against this point of view. Even with full disclosure consumers may rush into a high cost lease. Some argue that consumers cannot be protected from themselves.

Residual values have also generally increased over the last five years. Some consumers have traded in their leased vehicles with considerable equity left in the vehicle at the end of the lease term. In some situations, lessors have made more money at the end of the lease than on the original sale of the vehicle or during the lease period itself. Finally, with rising residuals, few leasing companies have experienced any residual value losses.

Indirect profits have also come from a number of perspectives. Lessors are allowed a Capital Cost Allowance (CCA) on their lease portfolios. With a rapidly rising percentage of vehicles being leased, lessors have been able to defer a significant amount of corporate income taxes.

Because, if the buyout option is not exercised, a vehicle has to be returned at the end of the lease, the car dealer has an enhanced opportunity to sell the consumer another vehicle. Repurchase loyalty on leased vehicles is higher than with other financing options. The car dealer also has access to the vehicle at the end of the lease and this has allowed most dealers to increase their used vehicle sales which is also very profitable.

Thus, in a protracted slow vehicle market, leasing has provided an avenue for many vehicle dealers and leasing companies to not only survive but to increase profits. Profitability of a dealership would range from a loss for some dealers upwards to two or three percent of total dollar revenue for others. Many also own leasing companies where typical gross profit is between 20 and 25 percent. There is however no standard of accounting for the profits earned by a dealer. Some dealers’ park profits outside their stores and others leave profit in their store.

Third, the automotive sector traditionally has been difficult to bank. Sales have been highly cyclical creating a boom and bust environment with serious financial difficulties arising for all players during a down market. Banks have had to make difficult decisions on the level of financing extended to the industry during these times, often to the detriment of certain players. As a result, banks are often regarded by dealers as only wanting to bank them during good times and abandoning them during difficult times.

Vehicle dealerships are also usually owned by family entrepreneurs who often do not have the expertise to manage their banking relationships which adds to the difficulty of “banking” the auto

sector. Finally, financing dealerships is very administration intensive for the banks. They require hands-on involvement with their dealer clients. It is common for a bank to actually count vehicles on a dealers lot in order to make sure banking covenants are being met. This is often construed as "big brother" looking over the shoulder of the car dealer. Banks point to many situations where banking covenants are violated. All these issues have made the automotive retail sector difficult to bank.

There has thus developed a long standing love-hate relationship between banks and many vehicle dealers. This has fostered an environment of mistrust, lack of communication, extreme caution and sometimes an over-reaction to relatively minor issues. Our review of briefs and interviews revealed a number of substantive and well argued issues on each side of the debate as well as the expected arguments of politics and convenience based more on fear and mistrust than substance.

From the bank perspective, leasing has become a very big business in which they are not allowed to directly participate. We estimate, for this study, that the total value of lease portfolios have grown from under \$10 billion in 1990 to between \$35 and \$45 billion in 1997. In 1990, the value of loans booked exceeded the value of leases booked by a margin of close to 4 to 1. By 1997, the value of leases booked exceeded the value of loans booked by close to 2 to 1.

Banks have participated in the growth of leasing indirectly through lease financing and indirect leasing but the shift toward leasing in the vehicle finance market has worked to the advantage of the captive finance companies of the vehicle distributors, a number of major foreign owned independent leasing companies and a select group of dealers with lease portfolios. Since banks are prohibited from engaging directly in vehicle leasing, their share of the overall direct car and truck financing market has necessarily declined. The banks view leases and loans to be similar and competitive products thus see access to the leasing market as a leveling of the playing field that will allow them to reclaim their "fair share" of direct automotive finance activity. Leasing portfolios are also over 80 percent controlled by foreign owned companies, so according to the Banks, the growth in leasing has come at the expense of the Canadian owned banks.

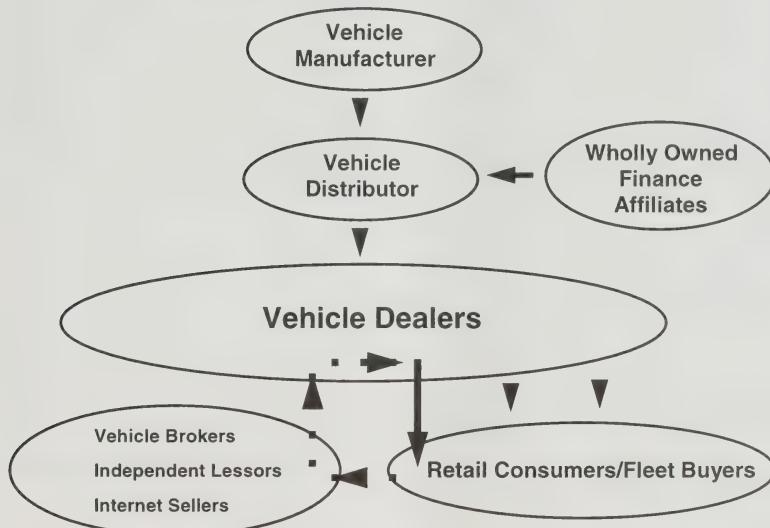
Given the sheer dollar size of the lease market, its rapid growth, the long term difficulties in the vehicle market, the profitability of leasing, all being debated in an environment of distrust, it is not surprising that this issue is so sensitive and controversial.

The Structure of the Automotive Sector

In the automotive industry there are three very different players involved with the manufacture, distribution and sale of vehicles to fleet buyers and retail consumers. The vehicle manufacturer produces the vehicle. Their vehicle distribution affiliates purchase the vehicle from the manufacturing arm and takes responsibility for all distribution and marketing initiatives. The vehicle dealers sell to the consumer. Most do not realize it, but there are really two GMs, Fords, Chryslers, Hondas, Toyotas, etc. in the auto sector. One is a manufacturer and the other is a distributor. In some cases the distribution arm is not even wholly owned by the manufacturer. For instance, Toyota's distribution arm in Canada is partly owned by Mitsui Co. The vehicle distributor also is responsible for much of the financing initiatives in the sector and most have

wholly owned finance affiliates. A point of confusion that often arises is that the vehicle dealers refer to their distributor as "the factory" even though the distributor does not manufacture anything.

Chart 1



In the light vehicle sector Canada currently has seven vehicle manufacturers. They are:

- GM, Ford, & Chrysler - U.S. owned
- Honda, Toyota - Japanese owned
- CAMI - JV between GM & Suzuki
- Volvo - Swedish owned

Canada also has nineteen major vehicle distributors currently operating. Mitsubishi has announced their intentions of establishing distribution in Canada but currently has no dealers. A number of other small niche players also distribute a limited number of vehicles in Canada, such as Alfa Romeo, Lamborgini, etc.

The primary players, their ownership and their number of dealers are outlined in Chart 2.

Chart 2
Vehicle Distributors in Canada

Distributor	Country of Ownership	# of Dealers April 1997
Acura	Japan	39
BMW	Germany	32
Chrysler	U.S.	595
Ford	U.S.	606
GM	U.S.	824
Honda	Japan	203
Hyundai	Korea	138
Jaguar	U.S. (through Ford)	19
Lada	Russia	60
Land Rover	Germany (through BMW)	16
Mazda	Japan & U.S. (Ford)	164
Mercedes	Germany	56
Mitsubishi	Japan	0
Nissan (Include. Infiniti)	Japan	169
Saturn Saab Isuzu	U.S. (through GM)	63
Subaru	Japan	96
Suzuki	Japan	91
Toyota (Include. Lexus)	Japan	229
Volkswagen (Include. Audi)	Germany	162
Volvo	Sweden	46
Total		3608

Source: *DesRosiers Automotive Yearbook – 1997*

Distributors sell vehicles to their franchised vehicle dealers who in turn sell them to the consumer and fleet buyers. A discussion on fleet sales follows in the next section.

There are currently a number of alternatives to buying directly through the car dealer for consumers. The most common are vehicle brokers, internet buying services and independent leasing companies (ie: not distributor or dealer owned). The “alternative” sellers essentially represent the consumer at the dealer. They argue they have sophisticated negotiating skills, are able to get access to fleet discounts, are able to get access to volume discounts and are able to avoid certain cost items in the purchase process. They can find a new vehicle for a consumer at a “hassle free” low cost and help the consumer avoid the process of negotiating and buying the vehicle themselves. A process many consumers dislike.

The savings for a consumer are illustrated by the following example of a vehicle transaction arranged through Auto-by-Tel, the largest internet broker in North America. In this example, Auto-by-Tel saves the consumer \$774 on the price of the vehicle. The dealer's gross profit is about \$1,000 less than on a “traditional” sale but because considerable operating costs are reduced, a dealers operating profit is only reduced by \$58 per vehicle.

Table 1
Two Approaches to Vehicle Retailing in the U.S.
(Based on 100-Car per Month Lot Model)

	Traditional Purchase	Auto-By-Tel Purchase ⁽¹⁾
Car Price to Customer	\$20,000	\$19,226
Cost of Goods	19,060	19,059
Manufacturer Incentives	<572>	<572>
Vehicle Gross Profit	1,512	739
Vehicle Gross	7.6%	3.8%
Loan Contract	600	500
Extended Service	400	325
Insurance Policy	100	50
Total Gross Profit	\$2,612	\$1,614
Total Gross	13.1%	8.4%
Labor	1,150	750
Advertising	400	60
Floor Plan Interest	200	150
Other Fixed Costs	450	300
Total Operating Costs	2,200	1,260
Operating Profit	\$412	\$354
Operating Margin	2.1%	1.8%

(1) Auto-By-Tel figures assume 60% closing ratio on 20 purchase requests per month, all handled by one salesman.

Source: National Automobile Dealers Association

Some of these “alternative” sellers are viewed in negative terms by vehicle dealers and their distributors. They allow large powerful dealers to control segments of the market and to disrupt pricing equations at the expense of smaller less powerful dealers. It is feared by the dealers that banks would develop their own “alternative” selling methods and by allowing banks into leasing it would validate and enhance these channels. Only very powerful dealers would benefit. However, one hundred percent of vehicles sold in Canada must go through a car dealer before they end up with the final buyer. There is currently no way around the car dealer in the market. No distributor currently sells directly to an “alternative” seller, to fleet buyers or retail consumers. This is important, since one of the concerns of dealers is that banks will be able to sell vehicles direct to consumers and in direct competition to dealers.

Most vehicle dealers are independently owned although there are some corporate stores in limited situations where a dealer fails and the distributor takes over control until another franchisee is formed.

Most dealers in Canada have three separate businesses. First, is the franchise itself which sells new and used vehicles and parts & service (and in some cases a body shop). Franchises also have a finance and insurance (F&I) department which sells accessories (rust proofing, audio

systems, extended warranties, etc.), arranges financing and sells various insurance products such as disability and life insurance on finance contracts and “gap” insurance on leases¹. Second, is a real estate business. Most dealers own their property and buildings and charge a rent factor to their franchise. Ownership is particularly high with older dealers.

Table 2
Property and Building Ownership by Age of Dealer

	Total	Age of Dealer		
		< 44 Years	45 to 54 Years	55+ Years
Property				
- Own	76%	70%	74%	82%
- Lease	24%	30%	25%	17%
- Both	1%	--	1%	1%
Building				
- Own	72%	66%	68%	79%
- Lease	26%	33%	28%	19%
- Both	2%	1%	4%	1%

Source: Coopers & Lybrand; DesRosiers Automotive Consultants Trendsetter Survey

Third, is a finance company. About a third of dealers own a finance company inside or outside their franchise. The finance company administers loans and leases and acts as the lessor in the case of direct leasing to consumers.

Most dealers would argue that profits from their franchise business are small relative to their investment and the financial risk they take. After tax, net profits would average in the 1 to 5 percent range. This is somewhat misleading since dealers actively try to move profit to their real estate arm and their finance company if they have one. Their vehicle distributor have access to their profit and loss statement each month as part of the franchise agreement. Dealers argue that the distributor will find ways to spend the dealers profit if they show too much profit in their franchise. This can be done by forcing them to invest in their dealership, purchase computer systems, participate in advertising programs, etc.

Long established dealers would argue that most of their wealth comes from their real estate arms. The average dealership has been in operation for 28 years. They usually are located on prime real estate which over a number of years has increased substantially in value. The franchise pays the mortgage, so considerable wealth is created. This is not necessarily the case with current dealers.

¹ GAP insurance protects a consumer from discrepancies between the residual value of a vehicle and an insurance pay-out if a vehicle is written off in an accident

The finance companies for most dealers have become less of a profit centre over the last 5-8 years. With the rapid increase in subvented leasing products available from their distributors (ie: captive leasing) the number of vehicles available to put into the dealers own finance company has been diminished.

There are however, some very large dealer-own financed companies which are believed to be very profitable. There is no hard information available on the profitability of dealer owned finance companies but estimates range between 20 and 25 percent net income margin. This level of profit may also be misleading since, as mentioned earlier, dealers try to move profit from their franchise to their finance company. This can be done through transfer pricing of new and used vehicles between the two entities.

The CBA provided a confidential research report which lists the number of leases booked by individual dealers. There were 45 large dealer-owned leasing companies which booked more than 200 leases during 1996. Although these dealers represent only 1.2 percent of the dealers in Canada, they accounted for 37.7 percent of dealer booked leases and 5.3 percent of total leases booked. These dealers would most likely lose market share if banks were allowed into leasing.

Table 3**Dealer Owned or Controlled* Leasing - 200+ Vehicle Leases Booked In 1996**

Copyright Polk Canada Vehicle Information Services, Toronto, Ontario

Company Name (See Note)	1996	YTD July 1997
Roy Foss Dealer Group	3,008	2,085
Surgenor National LSG Ltd	1,437	1,249
Jim Pattison Industries Ltd	1,401	1,081
Humberview Motors LSG Ltd	1,067	643
Park Avenue Chev Olds LSG	912	530
152633 Canada Inc	715	223
Scherer LSG Inc	622	463
Metro Lexus Toyota LSG	616	525
Westminster Auto LSG Ltd	562	416
Leggat National LSG Ltd	542	451
Lounsbury LSG Co Ltd	527	401
Jack Carter Chev Olds	495	293
Howard Carter Lease Ltd	491	341
Elm City Chry LSG Ltd	487	276
J Clark & Son LSG Ltd	464	305
Plaza Auto Dealer Group	455	280
Stronach Motors Ltd	446	223
North York Chev Olds Ltd	409	269
Macphee Pont Buick GMC Ltd	373	239
Woodbridge Lincoln Mercury	370	264
Location Desjardins Inc	355	1,492
Marvin Starr Pont Buick Ltd	347	233
Import Auto LSG Inc	347	136
Newport Motors LSG Ltd	335	203
Ensign Pacific Lease Ltd	323	262
City Pontiac Buick Cad Ltd	322	253
Scarborotown Chry Dodge	308	185
415841 Ont Ltd	306	276
Turpin Pont Buick Ltd	263	151
Shaw Pont Buick GMC Ltd	263	218
Landmark Vehicle LSG Corp	263	136
Ross Wemp Motors LSG Inc	248	187
Oregan Motors LSG Ltd	245	185
Stuart Budd & Sons	241	100
Cambridge Toyota Inc.	240	204
John Logan Chev Old	231	152
Mckay Pont Buick Ltd	224	162
Brown Bros. Motor Lease	216	124
Pineview Pont Buick	215	162
Summit Ford Ltd	208	121
Lallier Automobile Inc	207	324
Sentes Chev Olds Cad LSG Ltd	206	0
Alex Irvine Motors	200	119
Sub Total - 200+ Dealers	21,512	15,942
Percent Of Dealer Lease	37.7%	41.1%
Percent Of Total Lease	5.3%	4.5%
Total Dealer Lease	57,116	38,796
Total Lease	407,716	352,128

*Note: Some Companies Include Multiple Dealers**Source: Vertex Consultants using R.L. Polk Canada Registration Data*

* May include independent leasing companies that are no longer dealer owned or controlled

There are currently 3,608 dealers in Canada. This is down by about 500 dealers from the peak level of 1989 when there were 4,110 dealers. Sales per store have returned to the previous peak levels of 385 units per store. During the previous market peak in 1988 sales per store were 384 units.

Table 4
Number of Dealers in Canada - 1987 to 1997

	Number	Sales (000's)	Sales Per Store
1987	4,073	1,528	375
1988	4,068	1,562	384
1989	4,110	1,467	361
1990	4,056	1,300	324
1991	3,964	1,271	320
1992	3,966	1,212	304
1993	3,872	1,165	301
1994	3,855	1,233	318
1995	3,819	1,131	296
1996	3,714	1,173	316
1997	3,608	1,390	385

Source: *DesRosiers Automotive Yearbook - 1997*

2. Fleet Versus Retail Sales of Vehicles

There are two very distinct markets for new vehicles in Canada. Retail sales are new vehicles purchased by individual consumers for personal use. Fleet sales are new vehicles purchased by companies primarily for commercial use. The largest fleet purchasers are daily rental companies which account for more than half of the fleet total. Other large purchasers of fleet vehicles are governments, utilities, large corporations and fleet management companies. Most large corporations outsource the acquisition, finance and disposal of their vehicles to fleet management companies. The fleet management companies own large commercial leasing companies. Their position in the finance market will be discussed later in the report. This report will not cover the used vehicle market. There is a growing trend towards leasing used vehicles, but the market is still very small. It is also difficult to research and was viewed not critical to the understanding of this issue.

The fleet and retail markets operate independent of each other and are affected by different economic variables. Differences between the two markets include:

- market performance
- pricing and profitability
- vehicle acquisition methods
- financing trends and methods
- ownership and usage trends
- degree of corporate involvement in the selling process

It is important for the Task Force to understand the differences between each market. For instance, because of their volumes, fleet buyers are able to demand favourable pricing of vehicles versus the retail consumer. One of the car dealers concerns is banks access to fleet vehicles. They fear that if banks were allowed to directly lease vehicles and were to get access to fleet pricing they could undermine the pricing structure in the retail sector.

Vehicle dealers believe that eventually distributors and/or the large powerful dealers will be tempted to sell vehicles to the banks as part of their fleet programs. Only unlike regular fleet buyers who use the vehicle for commercial use, the banks will sell these vehicles directly to retail consumers. Consumers who normally would go directly to the dealer. The vehicle distributors interviewed for this report indicated that banks would not qualify for fleet pricing.

Indeed, the vehicle distributors themselves are very involved in the selling of fleet vehicles. They have full time staff who solicit large fleet accounts. Some fleets purchase hundreds and in certain cases thousands of vehicles. The distributor negotiates the deal with these fleet customers and then puts the contract out to bid by individual dealers. Dealers who win these contracts take care of the predelivery inspection and paper work and are paid a small fee. Dealers also can negotiate fleet sales in their own territories, but most focus on smaller fleets and leave the large fleets to the distributor. There is nothing to prevent a dealer from selling directly to a bank although they would not be able to extend fleet pricing without the distributors consent. Banks,

however, could negotiate aggressive discounts (ie: \$100 over invoice is popular with other volume purchases) with individual dealers. This would give banks an advantage over other dealers in the market.

Financing trends are also fundamentally different between retail and fleet buyers. On financing issues, fleet buyers have a much higher degree of sophistication than retail consumers. Some of the consumer issues discussed later in this document would not therefore apply to the fleet buyers. Leasing with fleet buyers has also always been relatively popular whereas retail leasing is a recent trend.

A very high percent of fleet vehicles are used for less than one year and often for only a few months. They return to the market very quickly and are a key element in establishing residual values in the used vehicle market.

A total of 1,390,000 light vehicles (passenger cars and light trucks) were sold in Canada in 1997 (Table 5). It was the second year of a recovery in vehicle sales. Although sales increased by over 18 percent, unit volumes are well below the cyclical peak levels of over 1.5 million achieved between 1986 and 1988.

During 1997, retail sales accounted for 81 percent of total volume, or 1,127,000 vehicles. Fleet sales totaled 263,000, or a 19 percent share. Since 1989, the fleet share of light vehicle sales has fluctuated within a range of 21 percent to 24 percent with 1997 being the first year fleet sales have been below 20 percent. The fleet market is obviously very large and very important within the total vehicle market.

Table 5
Structure of The New Light Vehicle Market - Fleet Vs. Retail Sales

	Sales Units (000's)	Total Fleet Sales (000's)	Percent Fleet	Percent Change From Previous Year	Total Retail Sales (000's)	Percent Retail	Percent Change From Previous Year
1989	1,467	337	23%		1129	77%	
1990	1,300	274	21%	-18.7%	1025	79%	-9.2%
1991	1,271	290	23%	5.7%	981	77%	-4.3%
1992	1,212	271	22%	-6.5%	941	78%	-4.2%
1993	1,165	280	24%	3.4%	885	76%	-5.9%
1994	1,233	296	24%	5.8%	936	76%	5.8%
1995	1,131	266	24%	-10.4%	866	77%	-7.5%
1996	1,173	276	24%	3.9%	897	77%	3.7%
1997	1,390	263	19%	-4.7%	1127	81%	25.7%
1997/96	18.5%	-4.7%			25.7%		
Avg. Annual							
1989-95			-0.5%			14.1%	
1995-97			10.9%	4.7%		12.7%	

Source: DesRosiers Automotive Consultants

3. Automotive Financing Products

There are essentially three types of finance products available to the vehicle buyer. There are conditional sales contracts (CSCs) usually referred to as loans, hybrid loans and leases. Hybrid loans are often referred to as near-lease products. Each product is very different and within each product there are numerous variations and terms available. The current and historical use of each type of product varies significantly between the retail and fleet market for vehicles. For instance, while leasing has recently become very popular in the retail market, it has always been popular in the fleet market.

Conditional Sales Contracts (Loans)

Loans may be issued by a bank, trust company, captive finance company, independent finance company or credit union. The purchaser holds title to the vehicle. Next to cash purchases, this is the simplest transaction available to consumers since the monthly payment is essentially determined by two variables, the capital cost of the vehicle and the interest rate. Disclosure is less of an issue, since high standards have been established by law to protect consumers and the loan contract is fairly simple to understand. It is however, impossible to protect consumers from themselves and some end up with uncompetitive rates.

Loans may be issued directly, through a financial institution, or indirectly through a dealer in the form of retail loan paper. With an indirect loan, the dealership obtains financing for the consumer through a financial institution, typically a bank, a captive finance company or their own finance company. With most indirect loans the dealer serves as an intermediary between the financial institution and the purchaser and is paid a fee for this service.

Hybrid CFCs/Near-Lease Products

A number of banks offer a hybrid loan with provisions for buying the vehicle at the end of the contract. These products have come to be called “Buy-Back” loans. There are also balloon loans that in many respects resemble a lease transaction since the principal of the loan does not amortize to zero. A balloon, however, does not have a buy-back provision. These finance products are generally called near-lease products. Monthly payments are similar to lease payments on a given vehicle since a residual value is established and monthly amortization of the capital cost of the vehicles is similar to that in leases. With near lease products, all taxes are paid on the vehicle up front, whereas with a lease, only the monthly payment is taxable. There are, therefore, some tax advantages to leasing which results in higher consumer costs for near lease products versus leases.

With “buy-back” products, at the end of the term, the consumer has three options; 1) turn the vehicle over to the bank, paying only wear and tear and excess mileage charges if applicable, 2) re-finance, or 3) pay off the residual value and take possession of the vehicle. With a “balloon” the consumer is required to either pay out the balloon at the end or refinance the vehicle.

Leases

With a lease the consumer is allowed to use a vehicle in exchange for a monthly payment to the lessor. Ownership of the asset remains with the lessor, who assumes responsibility for all of the risks associated with ownership including liability risk and residual value risk.

There are five groups of companies who are active in the Canadian leasing market:

- Captive finance arms of the vehicle distributors
- Commercial leasing companies
- Dealer-owned leasing companies
- Credit Unions
- Trust Companies

These will be discussed later in the report.

Leases may be of the open-end or the closed-end type.

In an open-end lease, the consumer assumes the residual value risk. In other words, if the vehicle is returned the lessee guarantees to the lessor the residual value of the vehicle, as stipulated in the lease contract. At the end of the term, the consumer either purchases the vehicle at the residual value, or instructs the lessor to sell the vehicle. If the sale price is less than the stated residual value, the lessee pays the shortfall. If it is higher, the customer realizes the difference. The lessee is not liable for any excess mileage or wear and tear charges; costs arising from damage or extra kilometers traveled are reflected in the selling price of the vehicle.

In a closed-end lease, the lessor shoulders the residual value risk. The lessee thus is not responsible for covering any shortfall in actual resale value against the residual value stated in the contract that results from market fluctuations. However, there is usually a kilometer limit and a “wear and tear and good working order” clause, regarding the condition of the vehicle upon return. Closed-end leases offer the option of purchase (at the stated residual value) at the end of the lease term.

We estimate that closed-end leases accounted for over 90 percent of the retail lease market in Canada. The captive finance companies only offer closed-end leases. Most open-end leases are dealer owned since dealers generally do not want to be exposed to residual value risk. In addition, the captive finance companies have been very aggressive in the market with closed-end subvented leases and dealers have not been able to compete with their open-end lease products.

There are also two general types of lease products, direct leases and indirect leases. In a direct lease, the leasing company deals face-to-face with the consumer and administers the lease after obtaining lease financing from a bank or finance company. The leasing company retains title to the vehicle, and thus can use the Capital Cost Allowance (CCA) on the vehicle against taxable income. Most direct leasing is done by dealer owned leasing companies. There are however, other independent leasing companies who purchase the desired vehicle from a dealer and then lease the vehicle to the customer. This is very common with fleet leasing and is becoming more

common with retail leasing. With a direct lease, the dealer or lessor retains title to the vehicle and assumes all the financial risk and liabilities associated with being the direct lessor.

Under indirect leasing, the dealer functions purely as a marketer of the lease. In the most common type of arrangement, the captive finance company administers the lease and retains title to the vehicle, and takes responsibility for disposal of the vehicle at the end of the lease term, all financial risk and other liabilities associated with being the vehicle lessor. Another form of indirect leasing product are those offered by the banks like the Scotiabank Dealer Value Lease Plan. The bank administers the lease, finances the lease and assumes all the financial liability of the lessor. The dealer retains title to the vehicle, claiming CCA and has the option of handling disposal of the vehicle at the end of the lease term.

Where dealers are simply the marketer of the lease for the captive or independent leasing company they are usually compensated through an increase in the interest rate charged to the consumer. Most indirect leasing has some level of mark-up of the interest rate (25 basis points to as much as 100 basis points) to compensate the dealer. The vehicle dealer is also indirectly compensated through the use of the CAA for tax deferral purposes.

From a functional point of view there are five distinct functions associated with loans and seven with a lease. Leases are unique in that they also have an asset acquisition and disposal function. For Banks to be allowed to lease they would have to be allowed to acquire the asset. Dealers contend that once they own the asset there technically would be nothing to prevent them from selling direct to consumers.

Chart 3 Functions Associated with Finance Products

	Loan	Lease	Near-Lease
1. Asset Acquisition		✓	
2. Origination of Sale	✓	✓	✓
3. Credit Adjudication	✓	✓	✓
4. Funding	✓	✓	✓
5. Administration	✓	✓	✓
6. Collection	✓	✓	✓
7. Asset Disposal		✓	✓
			(Note)

Note: Applies only in buy-back type products

4. Players in the Canadian Automotive Finance Market

Banks and Trust Companies

Banks are involved in the automotive financing market through conditional finance contracts (loans), lease financing, indirect leasing and near-lease products. They are also deeply involved in dealers' other financing needs, including capital financing (mortgages), commercial lines of credit, and floor plan financing.

The automotive loan market is dominated by the banks; they accounted for 70 to 80 percent of loans issued in 1997. Loans are provided directly to consumers through their branch system as well as through vehicle dealers. All of the banks and the remaining independent trust companies provide a full range of financial products to the automotive retail sector. The dominant players providing a full menu of finance products to vehicle dealers are the Bank of Nova Scotia, CIBC and the Bank of Montreal.²

During this decade, the three market leaders launched a major effort to market lines of credit to dealer leasing companies. Data collected by CADA indicates that 37 percent of dealers in Canada operate in-house leasing companies, and 40 percent of dealers obtain their lease financing from banks. All of the Big Six are active in this market, with the Bank of Nova Scotia, the Bank of Montreal, and CIBC being the key players. The portion of the total lease financing market provided by banks is difficult to determine. Surveys conducted by the Canadian Finance & Leasing Association (CFLA) indicate that the Banks provide over half of the lease financing required in Canada, but we are unable to verify this amount. Lease financing is also provided as part of the various indirect leasing products offered by banks. Since indirect leasing is growing, lease financing by banks is also likely growing.

As mentioned, BNS has an indirect lease product and CIBC has launched an indirect leasing program. CADA estimates that indirect leasing has grown rapidly with over 400 dealers signed up on the BNS plan alone. Actual leasing volumes through these indirect leasing products are difficult to determine but probably represent between 3 and 6 percent of the total vehicle finance market.

There are also a number of near lease products offered by banks with the best known plan being the Royal Bank "Buy-back" program. The National Bank has a product called "Auto Option", CIBC has a product called "Walkaway" and Bank of Montreal has a product called "Smart Choice". Some other banks also offer balloon loans. The banks indicated that their market intelligence indicates consumers attracted to these types of products are traditional loan customers who like the concept of a lower monthly payment but wish to maintain ownership of their vehicle.

² CADA, *Banks in the Vehicle leasing Business: Protecting the Consumer and Small Business*, submission to the Task Force, October 31, 1997, p. 18

Chart 4

Vehicle Financing Products Available Through Banking Institutions

	Loans	Near-Lease	Indirect Lease	Direct Lease
Schedule "1" Banks				
Bank of Nova Scotia	Yes	No	Scotia Bank Dealer Value Lease Plan	No
CIBC	Yes	Yes—"Walkaway" ¹⁰	Recently Launched	No
Royal Bank of Canada	Yes	Yes—"Royal Buy Back"	No	No
Toronto Dominion	Yes	No	No ⁹	No
Bank of Montreal	Yes	Yes—"Smart Choice"	Yes ⁶	No
National Bank	Yes	Yes - "Auto Option"	No	No
Laurentian Bank	Yes	N.A.	Yes	No
Schedule "2" Banks				
Bank Owned Trusts	Yes	N.A.	Yes	No
Royal Trust (100% Royal Bank)	Yes ⁵	Yes ⁵	No	No
CIBC Trust (100 % CIBC)	Yes	No	No	No
Montreal Trust (100% Bank of Nova Scotia)	No	No	No	No
Scotia Trust (100% Bank of Nova Scotia)	Yes	No	No	No
National Trust (100% Bank of Nova Scotia)	Yes	No	No	No Longer ⁴
TD Trust (100% TD Bank)	Yes ⁷	No	No	No
The Trust Company of the Bank of Montreal (100% Bank of Montreal)	No	No	No	No
Trusts				
Canada Trust	Yes	No	No Longer ⁸	Yes
Smaller Trusts	Yes	N.A.	No	No ³
Finance Companies with Interests Held by Banks				
<u>1</u> Newcourt Credit Group Inc. (CIBC 11%)	No	No	No Longer ²	Yes

¹ Primarily commercial leases through BML Leasing

² Newcourt purchased Commcorp who offered an indirect lease product. Their indirect leasing program is being phased out.

³ There are a number of small trust companies in Canada of which we could not identify any that lease vehicles.

⁴ Following purchase by Bank of Nova Scotia, National Trust which was previously an Ontario Incorporated Trust, became subject to federal restrictions on leasing vehicles

⁵ Royal Trust uses the Royal Bank Programs

⁶ BMO has a Wholesale Lease Finance Program

⁷ TD Trust markets TD Bank Programs

⁸ Canada Trust is phasing out their wholesale lease financing business

⁹ TD has a wholesale lease finance program

¹⁰ CIBC also has a balloon type loan in Alberta called "Future Value Guarantee Loan"

Source: DesRosiers Interviews

It is also difficult to determine the market share of near-lease products in the vehicle finance industry, but we are confident that the penetration of these products is low, likely under 5 percent of the finance market.

Chart 5

Vehicle Financing Products Available from Captive Finance Affiliates of Vehicle Distributors

	Loans	Near-Lease	Direct ¹ Lease	Indirect ² Lease
GM	Yes	Yes	Yes	Yes
Ford	Yes	No	Yes	Yes
Chrysler	Yes	Yes	Yes	Yes
Honda	Yes	Yes	No	Yes
Toyota	Yes	No	Yes	Yes
Nissan	Yes	No	No	Yes
Mazda (Primus)	Yes	No	Yes	Yes
Suzuki (Primus)	Yes	No	Yes	Yes
Subaru (Primus)	Yes	No	Yes	Yes
BMW	Yes	No	No	Yes
Mercedes Benz	Yes	Yes	No	Yes
Volkswagen	Yes	No	No	Yes
Jaguar (Primus)	Yes	No	Yes	Yes
Hyundai (Primus)	Yes	No	Yes	Yes
Volvo (GE Capital)	Yes	No	No	Yes

* but rarely specified

¹ Lessor deals directly with buyer

² Lease is marketed through the car dealer

Source: *DesRosiers Interviews*

Vehicle Distributors' Finance Affiliates

The vehicle distributors' finance affiliates, often known as "captive finance companies" are also deeply involved with providing financing to vehicle dealers and purchasers of vehicles, both consumers and fleets. They currently provide CFC's, direct leasing, lease financing, capital financing and floor plan financing products to the dealer community. They told us that in many cases they became involved in the finance market, both vehicle as well as dealer focused products, because the banks were not adequately filling the needs of the market. The vehicle distributors only access to the market is through their dealer body and their survival is critical. They therefore have to make sure all the needs of their dealers and their customers are filled including their financing requirements.

Captive finance companies currently have between 8 and 12 percent of the vehicle loan market. Their share has significantly declined over the last five years as they have moved their resources and marketing efforts to developing their leasing portfolios. Much of the paper they issued in the past was subvented as an incentive for consumers to purchase specific vehicles. There was no

evidence presented in various briefs as to the captive finance companies historical ability to compete with banks for loans.

The captive finance companies have between 70 and 80 percent of the direct leasing market. All of the larger vehicle companies own their own captive finance companies and the others offer a leasing product through a company owned by Ford called Primus Automotive Financial Services. Primus provides a “private label” lease to vehicle distributors like Subaru and Mazda.

Most of the large captive finance companies also provide lease financing to their dealer bodies. They, however, represent a smaller share of the lease finance market than banks. We were not able to determine exact market shares.

Captive finance companies in Canada include:

- General Motors Acceptance Corporation (GMAC) – Smart Lease
- Ford Motor Credit Corporation – Red Carpet Lease
 - Primus Financial Services³
- Chrysler Credit Corporation – Gold Key Lease
- Honda Canada Finance Inc.
- Toyota Credit Canada Inc.
- Nissan Canada Finance Inc.
- Volkswagen Credit Canada
- Mercedes-Benz Credit Corporation
- BMW Credit Inc.
- Lada dealers handle their own financing

Independent Finance Companies

These are leasing companies that are not affiliated with a manufacturer or a car dealer. The three largest players are foreign owned. Independent players market both fleet and retail leases, but generally have a higher focus on the fleet market since they are also large fleet management companies. Leasing is just part of a menu of services provided to fleet buyers. Leading players include:

- GE Capital Leasing Inc.⁴
- AT&T Capital Canada
- PH&H Inc.
- BML Leasing Ltd. (Owned by Newcourt)
- ARI Canada Ltd.
- Transportaction Lease Systems

³ Retail loans and leases administered by Primus Financial Services include Mazda, Jaguar, Suzuki, Subaru and Hyundai

⁴ GE Capital administers Volvo Canada loans and leases

All these companies are increasing their focus on retail leasing of new and in some cases used vehicles. Some independent finance companies also offer a loan product to dealers but their loan portfolios are very small.

Credit Unions

Chart 6

Vehicle Financing Products Available from Credit Unions in Canada

	Loans	Near-Lease ²	Lease ¹
Newfoundland	Yes	?	No
New Brunswick	Yes	?	No
Nova Scotia	Yes	?	Yes
P.E.I.	Yes	?	Yes
Quebec	Yes	Yes	Yes Very Active
Ontario	Yes	?	Yes
Manitoba	Yes	?	Yes
Saskatchewan	Yes	?	Yes
Alberta	Yes	?	Yes
British Columbia	Yes	?	Yes

¹ We were not able to determine whether programs were direct or indirect but Credit Union Central indicated that they believed all member programs were indirect.

² Depends on individual Credit Unions

Source: DesRosiers Interviews

Credit unions offer vehicle loans as part of their consumer lending activities. They are provincially regulated, and Credit unions have the statutory ability across the country to engage in auto leasing. Most of their vehicle financing activity is currently loans rather than leases although like the rest of the finance market, the growth is with leases. Credit unions, primarily in Saskatchewan, Alberta and Manitoba are involved in dealer financing. We estimate the credit unions' market share of leases to be under three percent, primarily in Quebec, and their market share of loans to be 6-10 percent of loans issued.

We were able to identify only one credit union who has aggressively targeted leasing. Caisses Populaires Desjardins in Quebec offers a leasing program through car dealers. They have offered relatively high residual leases and have attracted considerable attention from other lessors.

Canadian Co-operative Leasing Services (CCLS), a subsidiary of Credit Union Central of Canada, has been in operation since the late 1970s. In June 1995, CCLS began to move into auto leasing in a program entitled, No Curves Auto Leasing. Currently, CCLS is operating in Ontario, PEI, and Calgary, Alberta. It will begin pilots in New Brunswick in the near future.

Federally, the ability for CCLS to participate in auto leasing is grandfathered in the Co-operative Credit Associations Act.

Some other credit unions are involved in auto leasing (two in Ontario and one in BC) through independent leasing companies.

Agrifinance, a subsidiary of Canadian Central, is also licensed to offer car leasing in every province. The majority of their leases are through CUMIS insurance and to executives of credit unions and co-operatives. At present Agrifinance has a fleet of 50 vehicles. Fleet leasing has been declining for Agrifinance because they cannot compete with national fleet leasing companies.

Vehicle Dealer Owned Finance Companies

Many vehicle dealers also own a lease fleet inside or outside their dealership. We estimate that between 35 and 45 percent of vehicle dealers (1,200 - 1,500 dealers) own a lease portfolio. Although there are many players, their market share of leasing is relatively small at between 8 and 12 percent of the leasing market. Their share of the leasing market declined rapidly over the last five years as captive finance leasing exploded. Dealers just could not compete with the captive leasing programs especially those with subvented interest rates and/or subsidized residual values. They are however now increasing their share of the leasing market by using the Bank administered and financed indirect leasing products which now account for 3 to 6 percent of vehicle financing.

Cash

Consumer market research indicates a fairly large number of consumers still purchase their vehicles with cash. Cash is a popular alternative among certain ethnic groups and in the West. We suspect that a certain percentage of cash consumers are actually using borrowed money but we cannot come up with an estimate.

Not surprising, all players in the vehicle finance market, in their briefs, or during our interviews, discussed the virtues of leasing a vehicle. Consumer groups, however, indicate that there is considerable misinformation about leasing. If the cost of financing is isolated to interest costs alone, they point out that the lowest cost of acquiring a vehicle is cash, followed by a short term loan, then a long term loan and at the bottom are leases.

Market Summary by Player

We have constructed the following table which summarizes in very broad terms the position of each player in the market by financing method. We must point out that these market share numbers are general estimates. Moreover the market dynamics are changing rapidly so caution should be used with these estimates.

We estimate both loans and indirect leasing to account for 35-42 percent each of vehicle purchases in 1997. Cash purchases would be the third most popular payment method with 15-20 percent of vehicles. Direct leasing products represent about 6-8 percent of vehicle

purchases and near-lease products about 3-5 percent of purchases. Both products are increasing their market share, especially indirect leases.

Both the Banks and the Captive Finance companies represent the largest market share of vehicle financing in 1997. We believe the captive finance companies are marginally larger than the banks but since the market is so fluid we cannot determine this definitively. Both groups are each involved with 30 to 36/38 percent of vehicle purchases.

Consumers and corporations paying cash for their vehicle would rank third amongst the players involved in purchasing vehicles.

Dealer owned leasing portfolios both direct and indirect would represent about 6-10 percent of vehicle sales while independent finance companies would be involved with between 5 and 8 percent of vehicle sales. This latter group are increasing their market share as they become more aggressive with retail leasing. Direct leasing with car dealers is stable or slowly declining while indirect leasing through car dealers is increasing.

Captive Finance companies are 100 percent foreign owned and the large independent finance companies are also primarily foreign owned. Across all financing of vehicles, about 40 to 45 percent is foreign controlled. Within the leasing industry between 75 and 85 percent of leases are issued by foreign owned entities.

Table 6
Market Penetration By Method of Financing A New Vehicle – 1997
 (Weighted by Share of Business)

	Banks	Captive Finance Companies	Dealer Owned Finance Companies	Other Independent Finance Companies	Other Institutions Including Credit Unions	Market Share of All Payment Methods
Loans	70-80%	8-12%	0%	2-5%	6-10%	35-40%
Near-Lease	2-5%	0%	(see note 2)	0%	1-3%	3-5%
Direct Lease	0%	0%	5-8%	7-11%	0%	6-8%
Indirect Lease	(see note 1)	70-80%	3-6%	1-3%	2-5%	38-42%
Total	30-36%	32-38%	6-10%	5-8%	3-5%	80-85%

Note 1: Indirect leasing by dealers is financed and administered by banks.

Note 2: Some near-lease products are marketed through dealers.

* The remaining amount would consist of cash purchases.

Source: Estimates from DesRosiers Automotive Consultants Inc. Interviews

The Leasing Market in the U.S.

In the U.S., banks currently have about one-third of the leasing market. Captive finance controls about 45 percent of the market and independent finance companies about 15 percent of the market. The Credit unions and car dealers each have about five percent of the market. Bank leasing in the early 1980s was close to 35 percent before falling to about 28 percent in 1994. It appears that the Captive Finance companies were able to pick up the market share loss of the banks during this time frame. Their share increased from 40 percent in 1990 to 52 percent in 1993.

This is important since it is alleged that banks in Canada would enter and exit the leasing market causing considerable disruption. In the U.S., some banks exited the market in the late 1980s and 1990s because of residual value losses. This was also the case with some independent leasing companies.

The captive finance companies were able to increase their market share during this period indicating there was little market disruption. Moreover, their share increase was during a time when the total share of retail leasing in the market was increasing rapidly. This would also indicate that the captive finance companies in the U.S. have the ability to quickly adapt to the needs of the market caused by any entry or exit of other players. The regional structure of the banking system in the U.S. may be the reason the captive finance companies are so flexible. In Canada, where the banks are highly concentrated, it is alleged that the captive finance companies would have less ability to adapt to market fluctuations.

Table 7
U.S. Leasing Market - Share by Source

	Captive Finance	Bank	Independent Lease	Credit Unions	Other ¹	Total
1990	40.1%	35.2%	20.3%	2.1%	2.3%	100.0%
1991	44.7%	33.7%	17.2%	2.2%	2.2%	100.0%
1992	49.1%	29.6%	15.5%	2.5%	3.3%	100.0%
1993	51.9%	29.1%	12.7%	2.8%	3.7%	100.0%
1994	50.2%	28.4%	12.1%	2.8%	6.5%	100.0%
1995	46.6%	31.1%	13.5%	3.6%	5.2%	100.0%
1996	43.2%	32.3%	13.8%	4.4%	8.3%	100.0%

¹ Other includes car dealer
Source: CNW Marketing

Table 8
Market Share Comparisons in the Leasing Market
Canada vs. U.S.A.

	Canada	U.S.
Captive Finance	70-80%	45-50%
Bank	None	30-35%
Independent Finance	8-12%	12-15%
Dealer Finance	8-12%	4-7%
Credit Union	1-3%	4-6%

Source: CNW Marketing Vertex Consultants Inc and DesRosiers Estimates

This market share comparison between Canada and the U.S. would indicate that the captive finance companies are the most vulnerable to Banks competition in the leasing market. If the identical structure developed for Canada, Captive finance would lose half their market position and car vehicle dealers would also lose about half their market share declining to about five percent from about 10 percent. Both credit unions and independent finance companies would pick up market share.

Corporate Concentration of Leasing in Canada

The leasing market has over 2,600 companies who offer a lease product. However, the market is highly skewed to a small percentage of companies. Captive finance companies represent less than one percent of the leasing companies but control between 70 and 80 percent of the leasing market. The 20 largest commercial leasing companies also represent less than one percent of the players but control an additional 10 to 12 percent of the leasing market. The top 45 dealers control between four and six percent of the market. Therefore, the top 85 players representing about three percent of the operating companies control about 90 percent of the leasing contracts.

Table 9
Leasing Concentration by Type of Player

	Approximate # of Players	Percent of Total	Market Share of Leasing
Captive Finance	20	0.8%	70-80%
Top 20 Commercial Lease	20	0.8%	10-12%
All Other Commercial Lease	650	24.5%	3-5%
Top 45 Dealer Lease	45	1.7%	4-6%
All Other Dealer Lease	1900	71.8%	6-9%
Credit Union	10	0.4%	1-3%
Total	2645	100%	100%

Source: Vertex Consultants Inc and DesRosiers Estimates

5. Financing Trends in the Total Vehicle Market

There are no public databases which precisely document the size and structure of the automotive finance market. Most information is gathered using survey instruments, vehicle registration data or through corporate intelligence. Each method has strengths and weaknesses. Survey data contains considerable sampling errors depending on sample sizes, but is able to provide broad estimates across most of the areas where market intelligence is required. Provincial registration data is considered more accurate, but it is difficult to determine some of the key variables from a vehicle registration. For instance, it is impossible to determine whether a consumer has borrowed to purchase their vehicle. R.L. Polk provides monthly first time registration data to the industry and is able to provide some accurate data detailing leasing volumes in Canada. Their leasing data however has difficulty breaking out fleet leases from retail leases and does not provide any information on other financing methods. There data is also not widely available to the industry.

Following are three databases which estimate retail leasing rates in Canada. As can be seen, the statistics vary quite a bit. All methods however indicate strong growth in retail leasing and all three are essentially in the same ballpark. Since we have access to detailed survey data⁵, we are using it for the purposes of this report unless otherwise noted. The actual levels of financing discussed in this report may contain sampling errors but we are confident that the direction of the variables examined is accurate.

Table 10
Percent Of Retail Sales Which Are Leased

	Registration Data (Note 1)	Survey Methodology (Note 2)	Maritz Canada (Note 3)
1993	16%	24%	N.A.
1994	23%	26%	19%
1995	30%	29%	25%
1996	40%	32%	25%
1997	46%	47%	47%

Note 1: R.L. Polk Canada using registration data

Note 2: DesRosiers LVS using a sample of 2,500 vehicle owners

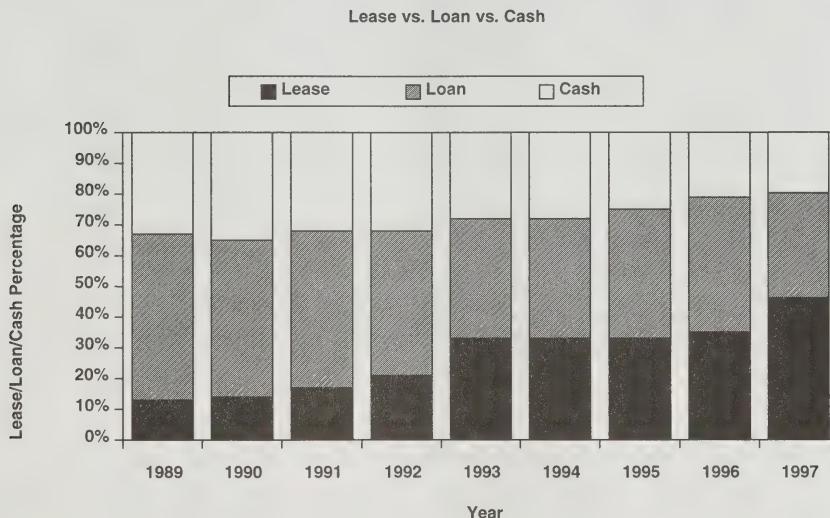
Note 3: Maritz Canada surveys a sample of new vehicle purchases during the second quarter of each year.

One of the most significant trends in the structure of the new vehicle market during the 1990s has been the steady increase in the share of new vehicles leased as opposed to purchased (see Table 11). This share stood at 13 percent in 1990, and increased in each subsequent year until it reached 46 percent in 1997. Between 1989 and 1995 when the market remained stagnant the annualized average growth rate of the vehicle leasing market was 12 percent, while the volume of all vehicle sales in the market actually shrank at an average annual rate of 4 percent. During the

⁵ DesRosiers Light Vehicle Study, 1989 to 1997

same period, the portion of vehicles financed through consumer loans declined from 54 percent to 42 percent. Cash purchases declined fairly sharply, from 33 percent in 1989 to 25 percent in 1995.

Chart 7
Structure of the New Light Vehicle Finance Market



During the last two years the market has grown by an average of 11 percent per year. Leasing units grew by 31 percent per year and now account for 46 percent of all vehicle sales. Units requiring a loan also grew in 1996 and 1997, but, because of the rapid growth in leasing, the market share of loans declined to 34 percent of all vehicle sales. The market share of loans would include near-lease products. Cash sales continue to decline and now account for only 20 percent of the total market.

The rapid increase in the lease market has come at the expense of both the loan market and consumers moving away from cash purchases. Loan portfolios have significantly declined and this is one of the primary reasons banks would like to extend their powers to the leasing market. Banks do participate in the leasing market through indirect leases and through lease financing.

Table 11
Structure of the New Light Vehicle Finance Market - Cash Vs. Lease Vs. Loan

	Total New Light Vehicle Market Units (000's)	Total Lease Units (000's) Fleet & Retail	Total Loan Units (000's)	Total Cash Units (000's)	Total Lease Units Percent of Market	Total Loan Units Percent of Market	Total Cash Units Percent of Market
1989	1,467	196	789	481	13%	54%	33%
1990	1,300	177	668	455	14%	51%	35%
1991	1,271	221	644	406	17%	51%	32%
1992	1,212	250	566	396	21%	47%	33%
1993	1,165	379	451	335	33%	39%	29%
1994	1,233	401	486	346	33%	39%	28%
1995	1,131	376	470	285	33%	42%	25%
1996	1,173	406	510	257	35%	44%	22%
1997	1,390	642	475	273	46%	34%	20%
1997/98	18.5%	58.1%	-6.9%	6.4%			
Avg. Annual							
1989-95	-4.2%	11.5%	-8.3%	-8.4%			
1995-97	10.9%	30.7%	0.5%	-2.0%			

Source: DesRosiers Automotive Consultants Inc.

Table 12
Structure of the New Light Vehicle Finance Market - Fleet Vs. Retail Leasing

	Sales Units (000's)	Total Fleet Sales (000's)	Fleet Lease Units Estimate (000's) (See Note 2)	Fleet Lease Percent Estimate (000's)	Total Retail Sales (000's)	Retail Lease Units Estimate (000's) (See Note 1)	Retail Lease Percent Estimate (000's)
1989	1,467	337	152	45%	1129	44	4%
1990	1,300	274	132	48%	1025	45	4%
1991	1,271	290	151	52%	981	70	7%
1992	1,212	271	153	56%	941	97	10%
1993	1,165	280	163	58%	885	216	24%
1994	1,233	296	154	52%	936	247	26%
1995	1,131	266	125	47%	866	251	29%
1996	1,173	276	117	42%	897	289	32%
1997	1,390	263	114	44%	1127	527	47%
1997/98	18.5%	-4.7%	-2.3%		25.7%	82.6%	
Avg. Annual							
1989-95	-4.2%	-3.9%	-3.2%		-4.3%	33.7%	
1995-97	10.9%	-0.5%	-4.3%		14.1%	45.0%	

Note 1: Includes indirect lease bank run programs

Note 2: Fleet leasing includes some guarantee buy-back programs offered by the captive finance companies which are actually near-lease products.

Source: DesRosiers Automotive Consultants Inc.

Leasing has always been an important element of the fleet market; 48 percent of new vehicles entering fleets in 1990 were leased, and this share fluctuated within a range of 42 percent to 58 percent through to 1997. On the other hand, retail leasing is a relatively recent trend which has seen explosive growth during the 1990s.

Table 13
Structure Of The New Light Vehicle Finance Market - Total Loans By Source

Loan Units (000's)	Market Share of Loans By Source					Number of Contracts By Source				
	Through a Bank Direct	Through a Car Dealer by Bank	Through a Car Dealer by Captive Finance	All Other Sources	Through a Bank Direct	Through a Bank by Captive Finance	Through a Car Dealer by Bank	Through a Car Dealer by Captive Finance	All Other Sources (000's)	
					(000's)	(000's)	(000's)	(000's)		
1989	789	57%	16%	20%	7%	453	127	155	55	
1990	668	52%	18%	24%	7%	346	117	158	47	
1991	644	55%	19%	19%	7%	357	121	120	47	
1992	566	55%	20%	18%	7%	314	113	99	40	
1993	451	55%	22%	17%	7%	246	97	75	33	
1994	486	54%	21%	18%	7%	262	101	88	34	
1995	470	58%	20%	15%	7%	274	93	70	34	
1996	510	59%	19%	15%	7%	302	96	77	35	
1997	475	60%	24%	10%	6%	285	112	45	32	
1997/96	-6.9%				-5.6%		16.9%	-41.2%	-8.4%	
Avg. Annual										
1989-95	-8.3%				-8.0%		-5.2%	-12.4%	-7.7%	
1995-97	0.5%				2.0%		10.1%	-19.6%	-2.4%	

Source: DesRosiers Automotive Consultants Inc.

The relative shares of the new vehicle loan market accounted for by the different channels remained relatively stable between 1989 and 1997 (see Table 13). Direct lending by banks accounted for between 50 and 60 percent of loan transactions linked to new vehicle purchases during this period. Bank loans made through dealerships made up between 16 percent and 24 percent. The share of captive finance arms fluctuated the most in relative terms, declining from a peak of 24 percent to only 10 percent in 1997. This is likely because captive finance companies have focused their business more on the leasing of vehicles. Other sources held six to seven percent of the loan market throughout the period.

Chart 8 Value of Lease Financing and Loan Market

1989 vs. 1997



Note: Represents value of product issued during the year, not the stock of paper outstanding.
Source: *DesRosiers Automotive Consultants Inc.*

The total value of paper issued in the vehicle finance market last year was \$31.122 billion with loans representing \$12.1 billion and lease financing \$19.0 billion (see Table 14). The total value of paper issued for vehicle financing grew by 29 percent - over the previous year due to the rapid increase of retail vehicle purchases which are primarily financed. Growth averaged 2.8 percent per annum between 1989 and 1995 when the vehicle market in unit terms bottomed out. During the last two years of a healthy vehicle market the value of paper issued increased by over 20 percent per year.

Table 14
Structure of the Light Vehicle Finance Market - Total Value of Paper Issued
 (Based on average transaction price of a new vehicle)

Loan Units (000's)	Loans Only (Excludes Lease Financing, Includes Near Lease products)							Total Lease Financing \$ Millions Estimate	Total Lease & Loan Financing \$ Millions Estimate
	Through a Bank Direct \$ Millions Estimate	Through a Car Dealer by Bank Estimate	Through a Car Dealer by Captive Finance Estimate	Through a Car Dealer \$ Millions Estimate	All Other Sources \$ Millions Estimate	Total \$ Millions Estimate			
1989	789	\$7,816	\$2,200	\$2,668	\$4,868	\$941	\$13,626	\$3,739	\$17,365
1990	668	\$6,200	\$2,101	\$2,829	\$4,929	\$852	\$11,981	\$3,510	\$15,491
1991	644	\$6,016	\$2,039	\$2,015	\$4,054	\$795	\$10,866	\$4,158	\$15,023
1992	566	\$5,703	\$2,054	\$1,799	\$3,852	\$733	\$10,288	\$5,070	\$15,359
1993	451	\$4,817	\$1,911	\$1,475	\$3,386	\$640	\$8,843	\$8,373	\$17,216
1994	486	\$5,442	\$2,110	\$1,839	\$3,950	\$714	\$10,106	\$9,498	\$19,604
1995	470	\$6,218	\$2,105	\$1,588	\$3,693	\$766	\$10,677	\$9,806	\$20,483
1996	510	\$7,344	\$2,339	\$1,869	\$4,208	\$853	\$12,405	\$11,568	\$23,972
1997	475	\$7,265	\$2,865	\$1,152	\$4,017	\$818	\$12,100	\$19,022	\$31,122
1997/98	-6.9%	-1.1%	22.5%	-38.4%	-4.5%	-4.0%	-2.5%	64.4%	29.8%
Avg. Annual									
1989-95	-8.3%	-3.7%	-0.7%	-8.3%	-4.5%	-3.4%	-4.0%	17.4%	2.8%
1995-97	0.5%	8.1%	16.7%	-14.8%	4.3%	3.3%	6.5%	39.3%	23.3%

Note: This represents the value of finance products issued during the year... not the stock of paper outstanding.

Source: DesRosiers Automotive Consultants Inc.

It is important to note that these statistics represent the value of finance products booked during the year not the value of finance paper outstanding. The average lease term is around three years with two year leases offsetting four year leases. The \$19.0 billion in retail leasing in 1997 together with a depreciated amount for the \$11.6 billion in 1996 and \$9.8 billion in 1995 likely translates into total lease financing outstanding between \$35 and \$40 billion. The average term of loans is between 54 and 60 months. With early disposition of many loans the average age to maturity is likely around 48 months. The total value of outstanding loans factoring in a 48 month amortization therefore would be between \$25 and \$30 billion. Lease and loan paper outstanding therefore represents a \$60 to \$70 billion dollar market. This would represent between 6 and 7 percent of the total value of outstanding consumer and business debt in Canada.

The lease financing market began a period of steady, strong growth in 1990. The value of lease paper issued in 1990 was \$3.5 billion. By 1997, this figure had increased five-fold to \$19.0 billion. Leasing went from less than one quarter of the dollar volume of the automotive financing market in 1990 to 61 percent of the dollar volume in 1997.

The total dollar value of new loans and leases has changed at a much slower rate than the number of individual loans, reflecting the escalating sticker price of the average new vehicle. This “sticker shock,” in turn, was the result of government-mandated safety and emissions control equipment and consumer demand for higher equipment levels (air conditioning, power windows, state-of-the-art sound systems, leather upholstery, antilock braking systems, etc.). The rapidly escalating cost of a vehicle is one of the reasons leasing has become more popular.

6. Review of Leasing and Leasing Issues

History of Canadian Regulations Governing Banks in Leasing

In the mid-1970s, as banks in the United States began to directly engage in vehicle leasing, representatives of Canadian chartered banks suggested that the Bank Act be changed to allow similar activities in Canada. The banks' position was adopted by the federal White Paper on Banking tabled in August 1976.

That recommendation of the White Paper was incorporated into Bill C-14, the Federal Government's proposed changes to the Bank Act, in 1979. Standing committees of both the House of Commons and the Senate proposed amendments placing major restrictions on vehicle leasing by banks. These amendments were not, however, accepted by the government. Bill C-14 died on the order paper before the dissolution of Parliament later that year.

The revised Bank Act was tabled again in April 1980 as Bill C-6. The Federation of Automobile Dealers' Associations (FADA now CADA) lobbied vigorously against the proposed changes before the committees, arguing that the banks would use their oligopoly powers and "deep pockets" to drive dealers out of the leasing market.

The final version of the 1980 Bank Act contained a compromise solution, arrived at after closed negotiations with opposition parties. Banks were to be allowed to engage in leasing but only indirectly, through arm's-length subsidiary companies.

Some opposition members remained skeptical even of this compromise. Bob Rae, then the Member of Parliament for Broadview-Greenwood, commented:

When you allow the banks to get into indirect leasing, the extent of their market power is such that we could well be giving over large aspects of that business, which is not the intention of the committee to give. The only people in favor of the wording on indirect leasing are the government, the government's bureaucratic advisors and the Canadian Banking Association. That is precisely the compromise they suggested, and that was rejected by the FADA when they discussed it. It is a compromise put forward by the CBA.⁶

The issue of bank entry into the vehicle leasing market was raised again in the late 1980s. The CBA petitioned the government to remove all restrictions on banks engaging in leasing, and presented a position paper stressing the benefits to consumers and the automotive market as a whole of unencumbered bank entry. Further loosening of restrictions was strenuously opposed by the FADA and the Motor Vehicle Manufacturers' Association (MVMA now CVMA). Their lobbying was effective, as the revised Bank Act of 1992 did not change the existing provisions regarding bank participation in vehicle leasing.

In the latest Bank Act review, the Canadian Bankers Association again petitioned the government to extend their powers to include leasing. The determination was once again to not allow Banks

⁶ Minutes of House of Commons Standing Committee on Finance, Trade and Economic Affairs, June 12, 1980, p. 9:16

into vehicle leasing, but the matter was referred to the Task Force on the future of the Canadian Financial Services Sector and is currently under review.

Reasons for the Popularity of Leasing

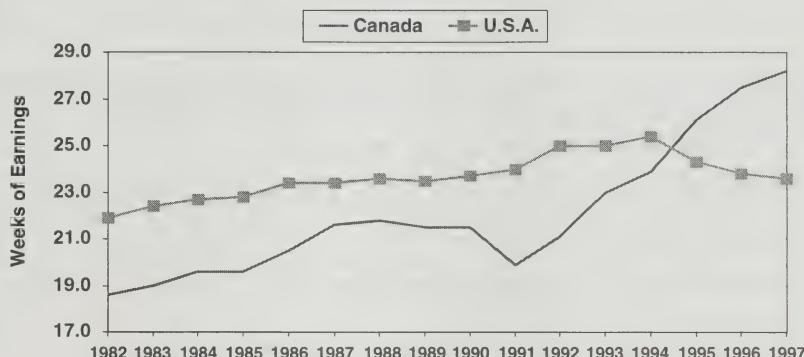
Canada experienced eight consecutive years of declining or historically low new vehicle sales between 1988 and 1996. The strong recovery that took place in U.S. passenger car and light truck markets after 1992 did not occur north of the border until 1996 and 1997. Broader macroeconomic variables affecting disposable income and consumer confidence are, to a large extent, the cause of the protracted sluggishness in the Canadian market. However, "sticker shock" within the light vehicle market may also be cited as a major contributing factor.

In 1997, the average purchase price of a new vehicle in Canada was \$27,185, an average annual increase of 6.4 percent since 1982 (Table 15). Vehicle prices have increased faster than the Consumer Price Index and median family income since the mid 1980s. Reasons include a trend to more comfort and convenience features, government-mandated safety equipment (such as airbags and side-impact beams) and safety equipment desired by consumers. Lightweight materials (aluminum, plastic, composites, magnesium) required to offset the weight of the added equipment, and keep fuel consumption in line with Corporate Average Fuel Economy (CAFE) requirements, have also added to manufacturing costs.

Table 15
Vehicle Affordability - Canada vs. U.S.

	Average Price Of All Vehicles In Canada Cdn \$'s	Percent Change	Average Price Of All Vehicles In The United States U.S. \$'s	Weeks Of Earnings To Purchase A New Vehicle In Canada	Weeks Of Earnings To Purchase A New Vehicle in the United States
1982	\$10,668		\$9,890	18.6	21.9
1983	\$11,282	5.8%	\$10,606	19.0	22.4
1984	\$12,216	8.3%	\$11,375	19.6	22.7
1985	\$12,997	6.4%	\$11,902	19.6	22.8
1986	\$14,408	10.9%	\$12,701	20.5	23.4
1987	\$15,957	10.7%	\$13,386	21.6	23.4
1988	\$17,161	7.5%	\$14,065	21.8	23.6
1989	\$18,168	5.9%	\$14,645	21.5	23.5
1990	\$18,886	3.9%	\$15,472	21.5	23.7
1991 GST!!	\$17,748	-6.0%	\$16,083	19.9	24.0
1992	\$19,133	7.8%	\$17,137	21.1	25.0
1993	\$20,647	7.9%	\$17,678	23.0	25.0
1994	\$22,137	7.2%	\$18,657	23.9	25.4
1995	\$24,147	9.1%	\$18,957	26.1	24.3
1996	\$26,139	8.2%	\$19,620	27.5	23.8
1997est.	\$27,185	4.0%	\$20,380	28.2	23.6
1997/1996		4.0%		3.9%	2.6% -0.8%
Average Annual		6.4%		4.9%	2.8% 0.5%

Chart 9
New Vehicle Affordability
Canada vs. U.S.A.



Note: Weeks of earnings derived from median family income. Source: Statistics Canada and AAMA (US)

The steep appreciation of the yen in the years leading up to 1995 also drove up the price of Japanese-branded vehicles (about half of Japanese vehicles sold in Canada are assembled in Japan). This trend was reversed in 1995, and both the Canadian and U.S. dollars have gained about 30 percent in value against the yen. This is allowing the Japanese-based car companies to become more price-competitive in North America, and, in turn, will constrain the Big Three's latitude to raise prices.

At the same time that vehicles were becoming more complex and expensive, the rate of growth in median family income was slowing from 5.2 percent per annum between 1982 and 1989 to 1.0 percent between 1990 and 1997. Consequently, the average Canadian family needed 28.2 weeks of earnings to purchase a new vehicle in 1997, versus 19.9 weeks in 1991. This is a major reason for the failure of light vehicle sales in Canada to return to the cyclical peak levels experienced in the late 1980s.

Since 1993, a significant gap has opened up between the number of weeks of earnings required to purchase a new vehicle in Canada and that required in the United States. The slide in the value in the Canadian dollar against its U.S. counterpart contributed to this, since most Big Three vehicles sold in Canada are assembled in the U.S. Another contributing factor is that there has been a shift upscale in the segment mix of Canadian vehicle sales, with shrinkage in the subcompact car and compact pickup truck segments, and gains in the compact, intermediate, small luxury, luxury, compact sport utility and full-size sport utility categories. Finally, in the past, Canadians were inclined to order vehicles with lower equipment levels than buyers in the United States. This kept the typical Canadian vehicle in a similar affordability range, despite a somewhat lower level of disposable income in Canada. In recent years, however, Canadian

consumers have taken more of an “all-or-nothing” approach, being just as demanding of features such as air conditioning and power windows as their American counterparts.

This affordability gap, combined with lower Canadian consumer confidence levels reflecting continued high unemployment, explains to a large extent why U.S. vehicle markets have recovered from the recession of the early 1990s while those in Canada did not begin to recover until 1996.

As early as the mid-1980s, vehicle companies responded to “sticker shock” by heavily promoting extended-term loans. Five-year terms are now common, and it is generally agreed that repayment period extensions have reached their limit.

Over the last 5 years, many vehicle companies have focused on leasing as a means of dealing with the affordability issue and this is one of the most important reasons leasing has exploded in the Canadian market. Since the residual value of a leased vehicle is not amortized in the monthly payment, monthly lease payments are significantly lower than monthly loan payments. Higher residual values have also allowed vehicle companies to offer very attractive lease rates. Cautious and lean consumers have been increasingly opting for late-model used vehicles or program (“nearly new”) cars as an alternative to a brand new car or light truck. The consequent shortage of clean used cars and light trucks is driving up secondhand vehicle prices, and with them the residual values of leased vehicles. High residual values force down the monthly payments in a lease.

Another important factor in the growth in leasing is the high quality of vehicles produced today versus only a decade ago. The entire automotive sector now produce very high quality vehicles. The inherent quality in current new vehicles is demonstrated by the average number of kilometres a vehicle is kept in active use in Canada today versus a decade or two decades ago. The average vehicle now has over 225,000 kilometres of total usage compared with only 150,000 kilometers of total usage in the 1980s. High quality vehicles have also resulted in higher residual values in the market for two to five year old used vehicles. The second owner of a four year old vehicle a decade ago would only be purchasing 80-100 thousand additional kilometres of use. Today the identical buyer of a four year old vehicle is purchasing 140 to 160 thousand additional kilometres of use. These vehicles obviously command higher residual values and makes leasing more attractive.

High quality used vehicles have also lowered the degree of risk in predicting residual values. A three to five year old vehicle a decade ago could be worth 10 to 40 percent of its original value. A three to five year old vehicle today is worth 40 to 60 percent of its original value. The degree of risk relative to the original MSRP is therefore much lower.

High residuals and less residual value risk are two additional reasons leasing has become so popular. High residuals mean lower monthly payments and less residual value risk means leasing companies are more willing to offer closed-end versus open-end leasing contracts which are a key attraction for consumers.

The rapidly growing popularity of leasing in both Canada and the United States therefore has been driven to a large extent by the affordability issue, low interest rates, high used car resale values and less residual value risk.

The future of leasing will be discussed later in this report.

Consumer Economics: Lease vs. Loan

When a consumer takes out a loan on a vehicle or any other asset, he or she pays for the entire cost of the vehicle including taxes, plus interest, over the term of the loan. Leasing, on the other hand, involves paying for only the *depreciation* of the asset over the term of the lease and interest on the declining balance of the capital cost of the vehicle minus monthly depreciation. In many respects a lease is simply a loan that does not amortize to zero.

Monthly lease payments on a given asset are thus lower than loan payments, assuming similar down payments and interest rates. Leasing, then, appeals to consumers from the standpoint of short-term *cash flow*. There are many advantages and disadvantages to leasing and it is very difficult to make broad statements about whether leasing is “good” or “bad” for consumers. In particular, the longer-term cost effectiveness of leasing versus credit purchase for individual consumers is dependent on a complex number of considerations including:

- Will the actual number of kilometers driven be close to the amount built into the lessor’s residual value calculation? If the amount is exceeded, excess wear and tear charges will be levied and could reduce the financial advantages of leasing. If the consumer drives far fewer kilometers, he or she could end up paying for more depreciation than actually incurred although consumers have the ability to access the equity which may have been built up.
- There are tax savings in leasing, as the consumer pays PST and GST only on the monthly payment rather than the full price of the vehicle. These tax savings are lost if the vehicle is purchased by the consumer at lease end. Indeed, taxes are as much as \$1,500 higher for a lease than a loan (see Table 16) if the vehicle is repurchased.
- The interest costs of leasing even with identical interest rates are higher than a loan. Total interest costs on a lease are paid on a higher monthly depreciation schedule than a loan since a lease only depreciates to a predetermined residual value. As a result, the effective amount of interest paid on a lease, in the absence of tax incentives or subvention by the lessor is higher than on a loan.
- The interest rate on a lease is also often higher than a loan to reflect the residual value risk inherent in a lease. Dealer commissions for booking a lease are also usually determined by increasing the interest rate on a lease. Commission on a lease could be higher than on a loan.
- There also sometimes are administration charges in a lease which do not occur with a loan. Since ownership does not transfer to the consumer the lessor has to make sure that licensing and insurance requirements are met by the lessee which results in more administration of a lease.

- The consumer must address the issue of *ownership* and the flexibility and freedom that flows from it. With a lease, the lessor retains title to the car or truck, and is thus entitled to place terms and conditions on the lessee's usage of the vehicle. In addition to payment for any excess mileage and/or wear and tear, the lessor may require that the lessee obtain permission to take the vehicle out of province for extended periods of time. At the end of a lease, the consumer does not own the vehicle and would have to purchase the vehicle from the lessor to maintain usage.
- Leasing pushes the affordability problem to the second owner of the vehicle. If consumers buy out their lease they thus assume these higher costs.
- Consumers who typically own their vehicle for more than 5 years end up paying more for leasing vehicles than purchasing vehicles. Obviously, once a loan is fully amortized the consumer owns the vehicle and has no more monthly payments. With leasing, consumers have a monthly payment for as long as they lease vehicles. This makes leasing more expensive for consumers who prefer long term ownership.

In their briefs to the Task Force the auto sector universally discuss the benefits of leasing to consumers although to the credit of the vehicle dealers some of the negatives are also discussed in their brief. But the industry obviously views leasing as "good" for most consumers. Other consumer groups and selected individuals interviewed take a more balanced approach to the consumer benefits of leasing. They point out that leasing is attractive for consumers who purchase a new vehicle every 2, 3 or 4 years. However, for consumers who purchase a new vehicle at longer intervals or who traditionally purchase a used vehicle, leasing usually is not very advantageous. Consumers who purchase their vehicle at lease-end almost always pay more for their vehicle than consumers who finance. (see Table 16). They also point out many serious issues related to financial disclosure in a lease, insurance claims if a vehicle is leased and a number of end of lease issues.

Table 16
Financing versus Leasing an Average Vehicle

		Leasing			Financing		
Cash Price or Capital Cost	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00
Down Payment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,750.00	\$3,750.00
Balance	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$28,750.00	\$28,750.00
Buyback or Residual	\$10,000.00	\$12,500.00	\$15,000.00	\$17,500.00	Total		
Lease Period (Months)	60	48	36	24	Down Payment		
Interest (%/yr)	10.00	10.00	10.00	10.00	Balance		
Period (Months)	60	48	36	24	Interest (%/yr)		
Monthly Payments	\$398.72	\$417.72	\$443.97	\$487.85	60	48	36
Sales Tax 15.00%	\$59.81	\$62.66	\$66.60	\$73.18	\$610.85	\$729.17	\$927.68
Total Monthly Payment	\$458.53	\$480.38	\$510.57	\$561.03	\$610.85	\$729.17	\$927.68
		Leasing			Financing		
Summary							
Period (Months)	60	48	36	24	60	48	36
Total Interest	\$8,923	\$7,551	\$5,983	\$4,208	\$7,901	\$6,250	\$4,646
Total Monthly Payments	\$27,512	\$23,058	\$18,381	\$13,465	\$36,651	\$35,000	\$33,396
Total Obligation	\$27,512	\$23,058	\$18,381	\$13,465	\$36,651	\$35,000	\$33,396
Total Principal & Interest if Vehicle is Purchased	\$39,012	\$37,433	\$35,631	\$33,590	\$36,651	\$35,000	\$33,396
Tax During Lease/Loan	\$3,589	\$3,008	\$2,398	\$1,756	\$3,750	\$3,750	\$3,750
Total Tax if Vehicle Purchased	\$5,089	\$4,883	\$4,648	\$4,381			

How Finance Products are Sold

Most retail leases are sold to the consumer through the vehicle dealer. Vehicle dealers have sophisticated finance and insurance (F&I) strategies where consumer financing requirements are discussed and finance products are sold. Dealers are given a commission for booking a loan and are allowed to “mark-up” the cost of a lease. There is considerable incentive for dealers to convince consumers to finance through their F&I facilities.

Banks and consumer groups allege that consumers are given very little choice of financial carrier for their loans or leases. Indeed, APA research indicates that many dealers do not put the consumer into the least expensive finance option. Instead, they recommend finance products to consumers based on their commission size and structure and on the ease of credit approval.

Most dealers have a variety of financing options they can offer the customer. They would include:

- a dealer-owned loan or lease
- a captive finance loan or lease
- a variety of bank or trust company loan programs
- a credit union program
- an independent finance company program

With loan programs, a vehicle dealer would likely be aware of most products in the market and have five to eight options from which to choose (four or five banks, their captive finance program, their credit union, independent finance co.). With leasing there are generally three options a dealer can offer the consumer. The captive lease programs, their own lease product or an independent leasing program. Captive programs are aggressively marketed by the vehicle distributors and a high percentage of consumers come to the dealer requesting the advertised program. It is estimated that about two thirds to three quarters of consumers, who require financing, arrive at the dealer with their minds made up as to which product to use. About one quarter to one third of consumers take the recommendation of their vehicle dealer. Consumers who have already made their choice of finance option may have chosen a bank loan, a captive finance product or other financial institution source for their financing. We do not know how their choices would be divided by market share.

Disclosure Issues

It is noted above that leasing offers lower monthly payments than loan financing and thus can exert a positive influence on consumer psychology from the standpoint of the new vehicle market. The complexity of leasing together with the lack of financial disclosure, however, can

also tempt lessors into obscuring lease interest rates and the total cost of the lease as compared to the loan option.

Table 17
Financing versus Leasing a Vehicle - Varying Interest Rates

	Lease 10% Interest	Lease 12% Interest	Financing 10% Interest
Cash Price or Capital Cost	\$25,000.00	\$25,000.00	\$25,000.00
Down Payment	\$0.00	\$0.00	\$38,750.00
Balance	\$25,000.00	\$25,000.00	Total
Buyback or Residual	\$12,500.00	\$12,500.00	Down Payment
Lease Period (Months)	48	48	Balance
Interest (%/yr)	10.00	12.00	Interest (%/yr)
Period (Months)	48	48	48
Monthly Payments	\$417.72	\$449.68	\$729.17
Sales Tax 15.00%	\$62.66	\$67.45	
Total Monthly Payment	\$480.38	\$517.13	\$729.17
Summary	Leasing 10% Interest	Leasing 12% Interest	
Period (Months)	48	48	48
Total Interest	\$7,551	\$9,085	\$6,250
Total Monthly Payments	\$23,058	\$24,822	\$35,000
Total Obligation	\$23,058	\$24,822	\$35,000
Total Principal & Interest if Vehicle is Purchased	\$37,433	\$39,197	\$35,000
Sales Tax Included in Summary			
Tax During Lease	\$3,008	\$3,238	
Total Tax if Vehicle is Purchased	\$4,883	\$5,113	\$3,750

As shown in the example in Table 17, the monthly payment on a 48 month lease with the identical interest rate as a 48 month loan is close to \$250 per month lower. Increasing the interest rate by only 2 percent increases the monthly lease payment by only about \$40 per month but increases the total interest payment through the life of the lease by close to \$1,500 dollars. The consumer is paying \$1,500 additional interest and the monthly lease payments is still \$210 lower than the monthly loan payment. Illustrated by this example is the fact that higher interest changes can be hidden in the lower monthly payments of a lease. The same effect could happen by holding the interest rate and increasing the capital cost of the vehicle.

It is alleged by consumer groups and by some of our interviewees that numerous leasing companies carry out this practice and that this is one of the reasons that leasing is so profitable

for the auto sector. The banks have argued in the past that their higher standard of disclosure and/or more competition in the leasing market would result in less use of such practices.

Finance sector regulations governing disclosure of leasing costs has not, until recently, kept up with disclosure regulations for loans in either Canada or the United States. No data exists as to the frequency of consumer problems but examples of the more serious complaints include:

- Switching of consumers from a sale to a lease to gain added vehicle markups, often after the customer has finished negotiating the purchase price of the vehicle.
- Not fully crediting the customers for trade-ins.
- Failing to prominently disclose required down payments and security deposits associated with advertised monthly payments.
- Imposing onerous early termination charges
- Assessing abusive wear and tear charges on returned vehicles
- Failing to identify a lease transaction as a lease or to explain the ramifications of leasing⁷
- Hidden administration charges
- Hiding the costs of unwanted options

In recent years, regulatory responses have been taking shape in both countries.

The Federal Reserve Board in the U.S. has revised Regulation M, which governs lease disclosure, with the cooperation and input of the leasing industry. The revisions are effective January 1, 1998.

In Canada, the federal government and all provincial governments agreed to harmonized cost of credit legislation as part of the 1994 Canadian Internal Trade Agreement. This agreement established a Cost of Credit Disclosure Working Group made up of senior provincial consumer ministry officials. Meanwhile, the Canadian Vehicle Manufacturers' Association (CVMA), Canadian Automobile Dealers Association (CADA) and Canadian Finance & Leasing Association (CFLA) established a Committee for Plain Language Lease Contracts to work together with the interprovincial Working Group. Together, a proposal was developed for harmonized lease disclosure legislation that stipulates that all items below are to be clearly stated in the lease contract:

1. The fact that the transaction is a lease.
2. The capital cost (cash value) of the leased goods.

⁷ Ronald S. Loshin and Randall R. McCathren, "FRB Decides to Postpone Regulation M Implementation" in *Auto Financing Update*, October 1977, pp.1-2

3. The term of the lease.
4. The amount, timing, and purpose of all payments required before, during or after the end of the term of the lease.
5. The total cost of the lease.
6. Any circumstance in which the lessee may be required to make additional payments during or at the end of the lease term, and their amount or method of determining their amount.
7. The conditions under which the lease or the lessor may terminate the lease before the end of its term.
8. The residual value.
9. If the lessee has the right to buy the vehicle, the procedure for exercising that right.
10. Lease annual percentage rate.⁸

Within the Canadian leasing industry all the captive finance companies have voluntarily required dealers participating in their leasing programs to use full-disclosure contracts.

Education of dealer sales staff is considered key to advancing the cause of full disclosure. According to observers of the U.S. vehicle leasing industry:

"Lease education is a continuing dealership problem," Mr. [Paul] McDonald [Chairman of the National Automobile Dealers Association Regulatory Committee] reported. Everyone in the dealership must understand the product and the comparison of lease advantages to purchase advantages. Customers now expect the sales staff to be able to answer questions in the showroom. "Customers don't want to wait for answers to their questions until they get to the Finance & Lease staff," he said. Lessors should provide education to build long-term relationships to dealers. "Out of nine lessors we use, not one came out to train my dealership staff on the new Regulation M," Mr. McDonald stated. "They just sent out new contracts which isn't enough."⁹

The auto sector state in their briefs that they have led the move to higher disclosure standards and that the Banks would not improve existing standards.

The Automobile Protection Association (APA) points out that:

- The industry's promised clean-up of auto leasing has a long way to go. Full disclosure car leases appeared at the dealerships within the last year, but many dealers are refusing to provide full disclosure in the showroom. Shoppers are frequently asked to sign an offer to purchase or provide a credit card authorization up to \$1,000, just to obtain all the numbers on the deal.
- When a dealership makes a recommendation regarding leasing or financing, they frequently recommend the one that costs more.

⁸ CADA, *The Vehicle Leasing Business: Protecting the Consumer and Small Business*, submission to the Task Force on the future of the Canadian Financial Services Sector, October 1997, p. 43

⁹ Ronald S. Loshin and Randall R. McCathren, "NADA Highlights Regulatory Issues" in *Auto Financing Update*, October 1997, p.4

- The majority of salespeople do not inform shoppers about mileage penalties in the leases they quote, and several neglect to mention that sales tax applies to the buy-back at the end of the lease.

The APA says that the auto industry's new, full disclosure lease is an excellent initiative and it has the full support of the Association. However, full disclosure is being torpedoed by retailing practices at the dealerships. It is maintained that the auto industry is overselling the advantages of leasing.¹⁰

End of Lease Issues – Wear and Tear

Assessment of excess wear and tear charges is one of the most contentious issues relating to consumer value in leasing. Critics have charged that the definition of excess wear and tear is often arbitrary, and is sometimes used as a hedge against residual value risk (i.e., enforcement is particularly rigorous when market resale values fall below residual values stated in the lease contract). During the interviews, representatives of a manufacturer's finance affiliate told of cases of U.S. banks retaining fulfillment companies, who draw commission on wear and tear claim amounts (this was to underscore the contention that banks follow a less customer-driven philosophy than the captive finance arms).

Overall, excess wear and tear charges are assessed in only a small minority of cases, and a typical claim is only a few hundred dollars. However, settling claims can be a time-consuming process, involving a tug-of-war between the customer, the lessor, and the dealer. Stories of exceptional cases, where charges have totaled \$2,000 or more, damage the public image of the leasing industry.

Mercedes-Benz Credit Corporation is pioneering a standardized corporate-wide measure of excess wear and tear on vehicles coming off-lease. This is part of its "First-Class Finish" program, which is designed to establish a more customer-friendly image for the lease termination process. The standardized measure is based on the "Credit Card Test." Any scratches, dents, blemishes or stains that can be covered up by a regular-sized plastic charge card are exempt from excess wear-and-tear charges¹¹.

End of Lease Issues – Residual Value Risk

Residual value refers to the market value of a vehicle at the end of the term of the lease, the amount the lessor can command on resale. The pricing of a closed lease contract involves the lessor assuming a certain risk on the resale value of the vehicle upon expiry of the lease. *Residual value risk*, then, refers to the possibility of the actual resale value of a given new vehicle might fall below values projected in pricing the lease. The risk discussed here reflects market-driven factors governing the resale value of all vehicles of a particular model. Risk arising from

¹⁰ Interview, George Iny, December 3, 1997

¹¹ Ronald S. Loshin and Randall R. McCathren, "MBCC's 'Credit Card Test': A New Standard for Wear and Tear" in *Auto Financing Update*, pp. 1-3

the condition of an individual vehicle - odometer readings, wear and tear, collision damage, blemishes, are generally covered in lease contracts.

The higher the residual value projected by the lessor, the lower the monthly lease payments. During the 1990s, consumer caution, sticker shock on new vehicles, supply and demand factors in the used vehicle market and the improved mechanical and structural durability of vehicles has boosted used car resale values as a percentage of the original vehicle purchase price in both Canada and the United States. This has allowed lessors to offer monthly lease payments that have become increasingly attractive, from a short-term cash flow perspective, as an alternative to the credit purchase of a new vehicle.

High residual values facilitate greater market penetration by the leasing industry, but also carry with them a greater risk. This is because some in the industry become dependent on *sustained* high residual values to sell vehicles. High residual values have been referred to as the “crack cocaine” of the automotive sector. Dealers constantly push their captive finance companies for higher and higher residuals or subvented interest rates, which lower monthly payments and assist them in selling vehicles. There is a concern, in some quarters, that dealers have become so dependent on high residuals and/or subvented interest rates that they would have trouble selling vehicles if their captive finance companies lowered residuals or stopped incentives.

There is a natural “conflict of interest” between vehicle distributors and their captive finance arms and between vehicle dealers and the various leasing companies when it comes to setting residual values. Distributors and dealers want to sell as many vehicles as possible and therefore prefer high residuals. Captive finance companies and other lessors however, have to bear the residual value risk.

Some argue that this dependence on leasing is one of the reasons the auto sector is so passionately against banks getting into leasing. They argue that banks would be more conservative with their residual values and would, in the process, force dealers to confront their dependence on high residuals.

Any market shift that depresses used car values below the built-in residual value in the lease contract exposes the lessor to losses on the disposal of the leased vehicle.

Residual value risk represents one aspect of the ongoing interrelationship of new vehicle and used vehicle markets. Its essence lies in fluctuations in used car prices, which are, like other prices, determined by supply and demand. Particular supply and demand factors shaping the market include:

- Overall consumer confidence levels, as they determine demand for new and late-model used vehicles.
- The price and availability of substitutes (new vehicles vs. late model used vehicles).
- The supply of used vehicles in particular age categories, particularly late-model vehicles. Off-lease vehicles represent a large percentage of late-model used vehicles entering the market; the supply is determined by new vehicle market cycles and the relative popularity of leasing.

- The percentage of a vehicle's customers which are fleet buyers. Fleet buyers return their vehicles very quickly to the market which has the effect of lowering residual values.
- Shifts in consumer tastes, as they affect particular market segments.
- The quality and reputation of individual vehicle companies and models.
- Introduction of new vehicle platforms.
- Changes in tax regulations.
- Currency fluctuations, which influence the flow of used vehicles back and forth across the Canada-U.S. border.

The Canadian used-vehicle market has been characterized by steadily increasing residual values since 1991 (Table 18 and 19 and section below). Actual resale auction prices have consistently outstripped forecast residuals. Many leasing company executives have thus never had direct experience with residual value risk since it was during this time that leasing increased from 4 percent of the market to close to 50 percent of the market. It has come to be seen as something purely theoretical that another generation of managers may have to deal with in the distant future. The longer-term historical record in the U.S. market, however, suggests that fluctuation of residual values is an economic reality, and sudden, sharp declines will also occur in Canada. If shifts in used vehicle markets cause actual residuals to fall below forecast values, the Canadian vehicle leasing industry could stand to lose hundreds of millions of dollars.

Between 1991 and 1996, the average residual value of both passenger cars and light trucks increased at all age categories from 24 months to 60 months (Table 18). In 1991, a two-year-old passenger car was worth, on average, 56.3 percent of its original value. By 1996, this had increased to 63.3 percent. For light trucks, the corresponding increase was from 63.1 percent to 72.9 percent. Five-year old passenger cars commanded 31.3 percent of their original value in 1994. This rose to 37.8 percent in 1996, while the average residual value of light trucks after 60 months went up from 41.3 percent of the new sticker price to 52.0 percent over the same period.

Table 18
Residual Value Performance - Canada - 1991 to 1996
Actual Resale Value as a Percentage of Original MSRP

Calendar Year	24 Month	36 Month	48 Month	60 Month
All Vehicles				
1991 CY	58.3%			
1992 CY	52.6%	44.0%		
1993 CY	53.5%	46.5%	38.9%	
1994 CY	60.2%	48.5%	41.5%	34.3%
1995 CY	66.5%	56.7%	45.4%	39.2%
1996 CY	67.0%	58.6%	51.7%	41.7%
Passenger Cars				
1991 CY	56.3%			
1992 CY	50.8%	41.3%		
1993 CY	50.2%	44.1%	35.5%	
1994 CY	58.6%	45.3%	39.1%	31.3%
1995 CY	62.7%	54.0%	41.8%	36.8%
1996 CY	63.3%	55.2%	48.6%	37.8%
Light Trucks				
1991 CY	63.1%			
1992 CY	57.3%	51.7%		
1993 CY	62.4%	52.5%	46.8%	
1994 CY	63.6%	57.0%	47.5%	41.3%
1995 CY	73.0%	62.2%	55.2%	45.3%
1996 CY	72.9%	64.6%	57.8%	52.0%

Source: *DesRosiers' Residual Value Analysis*

The relationship between residual values and the volume of vehicles leased has been discussed above. Equally important is the fact that actual residual values have outperformed the projected resale prices factored into lease contracts (Table 19). In 1996, the average residual value of 1994 model light vehicles was in average 10.3 percentage points higher than the original forecasts. This has meant that not only has the leasing industry been able to steadily gain market share through the 1990s, it has also been a highly profitable business through this decade. On the upside of the residual value risk curve lessors are more profitable because there are fewer cases of residual value losses and because some consumers trade their vehicle in at the end of the lease and do not access the equity in their vehicle. It is also common for dealers to use the equity in a vehicle to convince a consumer to terminate their lease early and to lease another new vehicle.

Table 19**Residual Value Accuracy for All Vehicles - 1991 to 1995 Model Year & Percentage of Original Manufacturers Suggested Retail Price (MSRP)**

Model Year	24 Month	36 Month	48 Month	60 Month
Forecast Residuals				
1991 MY	54.9%	45.4%	37.3%	30.4%
1992 MY	54.7%	44.7%	36.1%	28.7%
1993 MY	55.4%	45.6%	37.3%	29.9%
1994 MY	56.7%	46.7%	38.1%	30.5%
1995 MY	61.8%	52.0%	43.3%	39.2%
Actual Wholesales Prices				
1991 MY	53.5%	48.5%	45.4%	41.7%
1992 MY	60.2%	56.7%	51.7%	
1993 MY	66.5%	58.6%		
1994 MY	67.0%			
Difference				
1991 MY	-1.3	3.1	8.1	11.2
1992 MY	5.6	12.0	15.4	
1993 MY	11.1	13.0		
1994 MY	10.3			

Source: DesRosiers' Residual Value Analysis

New vehicle market dynamics have been the major contributing factor to rising residual values. Sales of new cars and light trucks remained well below historic peak levels from 1990 through 1996. This has given rise to an acute shortage of one-to-five-year old used vehicles. New vehicle prices have also risen rapidly creating the economic dynamics that a higher priced late model used vehicle is still a better deal than an even higher priced new vehicle. This shortage of used vehicles and rapid increase in new vehicle prices has been compounded by consumer demand for low-mileage late-model cars and light trucks which are increasingly sought out as substitutes for brand new vehicles because of their high quality.

The question arises as to how long the current high residual value levels can be expected to hold in the market. Indeed, residuals seem to have peaked in the market as a whole and in some segments are declining rapidly, exposing the leasing industry to increasing levels of residual losses.

The key to forecasting the future path of residual values lies, again, in understanding the interrelationship between the new and used vehicle markets. It is widely assumed that the growing popularity of leasing in recent years will translate into a serious oversupply of late model used vehicles and sharply falling resale values, as large numbers of off-lease vehicles are released onto the used vehicle market. This, however, will not necessarily by itself precipitate a slide in residuals. Growth in the volume of off-lease vehicles has been offset somewhat by declines in the number of off-loan entering the market.

Indeed, increasing volumes of off-lease vehicles represent only a difference in *timing* in vehicles entering the market. Had the vehicles been financed through bank or finance company loans, they would also enter the used vehicle market at some point, just not as soon.

In addition there are signs that new vehicle prices have moderated and in some cases are beginning to fall. Deflation or even stagflation in the new car market would quickly translate into lower residual values.

The principal reason for sober second thoughts in the currently booming vehicle leasing market is the fact that rising residual values are invariably self-limiting. Eventually, the high resale prices will draw more used cars and light trucks into the market, as more owners of late-model vehicles find it attractive to trade in their vehicles. This surge in supply will, in turn, eventually become large enough to begin to push prices down. The underlying reality is described in simple terms:

Used car inflation cannot continue to exceed new car inflation, or eventually used cars would be worth more than new cars, a logical impossibility.¹²

Indeed, attractive trade-in prices may be reinforcing pent-up demand and resurgent consumer confidence as new vehicle sales finally recover after the extended trough of 1990-96.

The 18 percent growth in Canadian sales volume in 1997, to near 1.4 million cars and light trucks, will translate into an increased supply of late model used vehicles by the millennium. This will put downward pressure on residual values.

There are signs that residual values are already headed on a downward curve in the United States. Between June 1996 and June 1997, the Consumer Price Index for used cars, as tracked by the Bureau of Labor Statistics, declined by two percent. Analysts monitoring the U.S. market believe that the underlying cause is closely related to manufacturers' incentive programs and failures among sub-prime finance companies.¹³

A sustained decline in residual values presents a serious risk to any lessor holding closed-end leases, especially smaller players such as dealer-owned leasing companies. Losses on lease portfolios was one of the primary reasons many U.S. banks exited the leasing market in the late 1980s and early 1990s. For consumers holding open-end leases, a serious decline in residuals would take away many of the benefits of leasing. They would be faced with substantial end-of-lease penalties or the prospect of buying out an over valued vehicle at the end of the lease. Those who pay the penalty would also face much higher monthly payments for their next vehicle since the new lease contracts would almost certainly have to reflect the lower residuals in the marketplace.

An era of declining residuals would result in some leasing companies, including banks if they were given leasing powers, reassessing their leasing strategies. Some would leave the market.

¹² Ronald S. Loshin and Randall R. McCathren, "Causes of Concern for Future Used Car Values (Part 1), in *Auto Financing Update*, January 1997, p. 3

¹³ Loshin and McCathren, "Weakness in the Used Car Market" in *Auto Financing Update*, June 1997, p. 1

The degree of risk in Canada is currently very high since Canada is at the top of the residual value curve and most new leases reflect the current high residuals in the market. Assuming an average lease term of three years, we estimate there is currently \$35 to \$40 billion in outstanding leases in the Canadian market. The average residual value on these vehicles would be between 50 and 60 percent or between \$15 and \$20 billion dollars of residual risk exposure. In the U.S., residuals have fallen by as much as 10 to 15 percent across the entire market during times of declining residuals. If this worst case scenario were to occur in Canada then the Canadian leasing industry could lose between \$1.5 and \$2.5 billion which would be paid out over a two to three year period.

Advantages and Disadvantages of Leasing for the Auto Sector

The advantages and disadvantages of leasing from the standpoint of dealers are closely related to the consumer issues raised earlier in this report.

Car Dealers – Advantages

1. Leasing addresses the psychological barriers raised by the high monthly payments of conventional loans. By offering the consumer a lower monthly payment or more vehicle for the same monthly payment, lease programs make it easier to move vehicles.
2. The lower monthly payments associated with leasing have allowed dealers to increase profit per vehicle sold. (This will become less feasible as the industry adopts disclosure standards). In markets characterized by rising residuals, dealers can also sometimes realize the equity in the off-lease vehicle instead of the consumer. (in the case of closed leases).
3. Leasing programs help build long-term relationships with customers. When the lessee turns in the off-lease vehicle, he or she is likely to begin shopping for a new vehicle at the same dealership. Indeed, dealers proactively begin to market to their lease customer six to nine months before lease end.
4. Used car and truck volume is increased by access to off-lease vehicles.
5. As long as the lease portfolio is growing, dealers have access to a growing pool of CCA for deferral of income taxes.

Car Dealers-Disadvantages

1. The dealer is exposed to residual value risks if the lease is closed and the dealer puts the vehicle in their own portfolio. There is very little closed lease in dealer portfolios today.
2. Customer satisfaction and word-of-mouth reputation may suffer if end-of-lease problems arise, especially over early termination or excess wear-and-tear charges.
3. Leasing programs require extensive retraining of sales and finance & insurance staff, especially with the implementation of industry-wide disclosure standards.

4. Leasing is more complicated than a cash purchase or a conventional loan. In the absence of thorough disclosure and staff education, situations will arise where consumers will feel they have been taken advantage of or not been told the full story.
5. The potential for repeat business will be undermined in cases of open-ended leases and falling residuals..
6. Many dealers have allowed their sales staff to essentially ride the coattails of rising residual values and lower monthly payments. Education and sales training related to leasing have thus been neglected. The leasing business of these dealers will suffer if residuals begin to trend downward and leasing becomes a “tougher sell.”
7. Dealers could face a serious income tax problem if leasing volumes in their own portfolios were to decline resulting in the payment of tax on the recapture of CCA.

Vehicle Distributors and their Leasing Arms – Advantages

Many of the strategic implications of leasing for vehicle companies and their leasing subsidiaries are similar to those for dealers.

1. Lower monthly payments make it easier to move vehicles (see Dealer Advantages).
2. Market research has shown that lease customers display significantly higher brand loyalty than those who purchase with cash or on credit. This is related to the fact that, in the case of dealer or captive finance arm leases, the process of shopping for a new vehicle begins with returning the off-lease vehicle to the original dealer.
3. Leasing offers the opportunity to increase interest rates and markups (though this will become less of an option with the implementation of disclosure standards).
4. Access to CCA for tax purposes.
5. Leasing provides additional channels for incentives and flexibility in implementing distributors’ incentive programs. Incentives may take the form of subvention of interest rates or aggressive setting of residuals. If the latter option is followed, payment of the incentive is effectively deferred, or it may never be paid if the lessee purchases the vehicle.

Vehicle Distributors and their Leasing Arms – Disadvantages

1. Exposure to residual value risk, and a dependence on rising residual values to support lease marketing programs.
2. A steady supply of off-lease vehicles means more effort and resources need to be devoted to used vehicle marketing programs. All leased vehicles not retained by consumers in essence have to be sold twice.
3. Customer satisfaction issues arising from early termination and excess wear and tear charges.

4. Late model off-lease vehicles are widely seen by consumers as substitutes for new vehicles. They constitute a large part of the burgeoning “nearly new” car market. If they come onto the vehicle market in large numbers, demand for new vehicles could suffer.
5. Leasing does not fundamentally address the affordability issue, it only pushes it to the second vehicle owner.
6. Recapture of income tax if leasing portfolios decline.

Capital Cost Allowance (CCA) and Leasing

Revenue Canada allows leasing companies to depreciate their lease portfolios for tax purposes. The CCA accrues to the company with title to the vehicle. The Capital Cost Allowance (CCA) is 15 percent of the capital cost of the vehicle the first year and 30 percent of the declining balance each following year.

The CCA is one of the most valuable business aspects of leasing. The CCA schedule is usually more aggressive than the actual depreciation of a vehicle in a lease. This allows considerable tax to be sheltered over the life of a lease. The CCA benefit also allows lease products to be more competitive in the market than loan products. Technically the CCA advantage is priced into the cost of the lease.

The indirect lease products of the banks allow them to participate in all aspects of leasing (see Chart 3, page 20) except acquisition of the vehicle. Since they do not hold title they are not allowed the CCA. Access to CCA to shelter income from leasing portfolios is therefore an important element of the issue. Tax law however restricts the claiming of CCA to the amount of income earned from leasing a vehicle. Therefore a bank would be unable to shelter other income by creating a loss on its lease book. Banks would receive no greater advantage than a regular leasing company.

The tax sheltering advantages of the aggressive CCA schedule is also one of the reasons the auto sector is trying to keep banks out of leasing. At the end of the lease, the CCA is recaptured for income tax purposes. If a leasing portfolio continues to grow then the additional CCA in the portfolio will be large enough to offset the recapture and no current income tax will be payable. If leasing portfolios were to decline then it is possible for substantial income tax to be payable. Allowing banks into leasing would obviously make it difficult for existing lease portfolios to continue to grow. Existing leasing companies would most likely see shrinking portfolios and face a recapture of CCA resulting in higher income tax payable.

Chart 10

CCA/UCC on an Average Vehicle in Canada

Capital Cost of Vehicle	\$25,000
1st year CCA (15%)	\$3,750
Remaining Capital Cost	\$21,250
2nd year CCA (30%)	\$6,375
Remaining Capital Cost	\$14,875
3rd year CCA (30%)	\$4,463
Remaining Capital Cost	\$10,412
4th year CCA (30%)	\$3,124
Remaining Capital Cost	\$7,288
Actual 4 year Average Residual Value (51.7%)	\$12,925
UCC	\$5,637

The Future of Leasing in Canada

There is no doubt that vehicle leasing is entrenched as an automotive financing option for consumers in Canada. The question is whether the rate of leasing will continue to increase or plateau and go down. Variables which would influence the future of leasing would include:

- the affordability of vehicles
- the level of residual values in the market
- the level of residual value risk
- changes in the tax law
- the strength/weakness of vehicle markets
- incentive structures of the vehicle distributors

Long-range projections by economists tend to concur that Canada and the United States, notwithstanding any unforeseen drastic economic shocks, are facing a protracted period of low inflation and low interest rates. The persistence of high resale/residual values for used vehicles is more difficult to predict. Understanding residual value risk is essential to projecting the future course of the Canadian automotive leasing market and assessing the impact of regulatory changes that might allow new classes of competitors into the market.

Leasing is highly dependent on high residual values. As residuals increased over the last five years the rate of leasing by consumers increased rapidly. Residuals, however, appear to have peaked and in some vehicle segments are declining rapidly. Lower residual values will do two things. First, they will increase monthly payments and make leasing less attractive. Second, since thousands of leases were sold over the last five years with high residuals, they will push many vehicles into a loss position at lease-end. Lessors with closed-end product may re-evaluate

their leasing strategies and potentially back off their aggressive sales strategies. Indeed, this already appears to be happening with some captive finance companies. Second, consumers with open-end leases may become very wary of leasing as large lease end payments are required. Both these reactions will result in lower levels of leasing.

Of particular concern to the leasing industry is a possible depreciation in new vehicle prices. One of the primary reasons residuals increased over the last five years was the rapid increase in new vehicle prices. Even an expensive two to four year old used vehicle looked inexpensive relative to the high priced new vehicle. The opposite occurs if new vehicle prices stabilize or decrease. New vehicle transaction prices appear to have stabilized over the last two years as the cost cutting of the vehicle and parts manufacturers flow through to the consumer. The depreciation of the Yen and Won has also given the Japanese and Koreans the ability to lower their prices on a number of makes and models. Lower priced vehicles would lead to significant residual value losses and higher residual value risk. They also would result in a decline in the affordability index and take away some of the need for consumers to lease. Therefore, the rate of leasing in the market to a large degree is dependent on the captive finance companies' ability to take on risk and their appetite for risk.

In addition, an element of leasing's benefit to the consumer, and, by extension, to the market as a whole, is *psychological*. The lower monthly payments make the acquisition of a new vehicle a less intimidating prospect. They may also "smooth the way" to more frequent trade-in cycles, by reducing the formidable hurdle of high monthly loan payments. Leasing programs thus allow vehicle companies, over the short to medium term, to stake a claim to a higher *share* of the consumer dollar. Over the longer term, however, more frequent trade-in cycles could bring about a saturation of the market. Consumers' lower propensity to save for down payments could conceivably, after a number of years, exacerbate the affordability crisis, setting off or worsening a market downturn.

Leasing also does not solve the root cause of vehicle affordability, it only pushes the affordability problem to the second owner of the vehicle. There is a natural limit to the amount of added cost that these consumers can absorb. The high quality of used product offered to these consumers have helped compensate for the higher price of their vehicles, but there is considerable resistance developing to the high price of used vehicles. Interestingly, this has resulted in a move to more leasing of used vehicles. In essence, pushing the affordability problem to the third owner of the vehicle.

We believe that the rate of leasing is at or near its peak level. We are inclined to forecast lower rates of leasing over the next few years rather than higher rates of leasing. However, we are concerned that a number of the players in the vehicle sector are "hooked" on leasing and high residual values. There will be tremendous resistance in the industry to allowing the rate of leasing to decline. Not only would vehicles become more difficult to sell, but the leasing companies would face significant recapture of deferred income for tax purposes because of the CCA clawback. Finally, consumers are also "hooked" on the lower monthly payments and would resist moving away from leasing.

For these reasons it is difficult to forecast a collapse of leasing in the market. The rate of leasing is likely to only decline slightly. Another scenario is that rather than make higher monthly payments, consumers would just not buy new vehicles. The rate of leasing would hold, but the size of the market would go down.

The affect of leasing on the dynamics of the market are not very well understood. Leasing only became popular during the last five years, so economists do not have any historical experience to study and to understand the economic issues. Canada's experience with leasing has only been during an era of rapidly increasing residual values. In the U.S., when residuals declined, leasing rates also declined and some lessors experienced significant residual value losses. Leasing in Canada would likely go through a similar experience.

7. Detailed Arguments Against Extending Bank Powers to Leasing

Logic of Arguments Against Extending Bank Powers

The core argument against allowing banks into vehicle leasing focuses on the centralized nature of the Canadian banking system. It follows that American experience is not a reliable predictor of the impact of regulatory changes on the Canadian car and truck leasing market. On several occasions during the interview and consultation process it was stated that comparing the market position of U.S. banks in vehicle leasing to hypothetical Canadian outcomes amounted to a comparison of “apples and oranges.”

Canadian banking regulations have fostered the development of a very stable but oligopolistic banking industry dominated by six players with extensive branch networks. This is in contrast to the United States, where there are thousands of chartered banks, most with a local or regional market presence, and even the global players are broken down into regional entities with an arms'-length relationship to one another.

To preserve this stability, a number of “fences” have been erected around the Canadian banking industry. These constitute the “safety net subsidy” referred to in the CVMA/AIAMC submission. The fences include:

- Ownership restrictions: Canadian banks must be widely held.
- Deposit-taking authority which allow banks to enjoy access to a pool of low-cost funds.
- Direct access to the payments system.
- Access to the Canada Deposit Insurance Corporation.
- The “too big to fail” doctrine.

Opponents argue that, if banks were allowed to participate directly in the leasing market, their participation would distort rather than enhance competition in that market. Subsidized competition would combine with the banks’ bureaucratic structure, change-resistant culture and inexperience in residual risk management in unpredictable ways. Initially, their presence could displace thousands of employees of dealerships and manufacturers’ finance affiliates. Over the longer term, sudden exits by bank leasing entities that find their portfolios on the downside of the residual value curve could disrupt the infrastructure of the leasing market and limit consumer choice while that infrastructure was reconstructed.

Moves to level the regulatory playing field (for example, allowing a captive finance company to apply for a bank charter) would not address the safety-net subsidy issue over the short to medium-term. Any potential new players in the Canadian banking industry would face substantial barriers to entry, such as the need to establish a nationwide neighborhood branch network.

Leasing is seen by opponents as essentially a non-bank activity, as it involves ownership of an asset, marketing of that asset, and management of residual risk. Entering into non-bank activities necessarily entails a conflict of interest between a bank and its customers.

Opponents also fear that banks will abuse their market power in situations where they provide financing to dealers. Abuses could include tied selling, the use of dealer financial and marketing information to the competitive advantage of bank leasing arms, and tightening credit requirements for dealers within their market area.

Some respondents also expressed the fear that, once established in the market, banks would be less customer-driven in their philosophy than existing players. Examples were provided of bank lessors in the United States adopting aggressive policies on excess wear and tear, especially when facing residual losses on their portfolios.

Suspicious of bank motives among dealers and small business owners are deep-rooted. Canadian banks have long been criticized within these groups of risk aversion and inflexibility in commercial lending policies. It is widely agreed within these constituencies that such policies are entrenched and perpetuated by a lack of competition in the Canadian banking sector.

A number of common themes run through the submissions of and interviews with stakeholders opposed to extending bank powers. These are:

- Banks enjoy a “safety net subsidy” that will result in unfair competition.
- Extending bank powers would give rise to conflict of interest as banks compete with their customers.
- Banks have used their safety net subsidy to dominate other sectors where they have been allowed entry in recent years.
- Banks have used their cost of funds advantage and predatory pricing to dominate the vehicle loan market.
- Dealers depend on the manufacturers’ finance affiliates for credit. If the affiliates are weakened, the survival of many dealers will be threatened.
- Banks would be exposed to excessive risk.
- Banks would not add to competition; they would lower competition.
- Banks would use leasing to “cross sell” other products and services.

The Safety Net Subsidy

This is a common theme in the submissions of the CVMA/AIAMC, CADA and CFLA.

They allege that Canadian policies have created and perpetuated a banking oligopoly, dominated by national players with coast-to-coast retail branch networks. This is in contrast to the U.S. situation, where there is relatively open competition between thousands of banks. Most are local or regional in scope. In the larger metropolitan areas, consumers and commercial clients may choose from among hundreds of banks.

Another finance affiliate representative added that the safety net subsidy gives Canada's Big Six banks a much greater ability to assume residual value risk than many local and regional American counterparts. For this reason, they can be expected to be much more aggressive in the vehicle leasing market.

The CFLA submission argues that banks also have a brand equity advantage flowing from the safety net subsidy and the oligopoly market it has fostered:

The highly visible central role of the banks in the daily economic life of Canada and all Canadians confers a very valuable "brand" credibility that extends to all products and services that a bank chooses to offer. While intangible, this advantage confers a very real and unique benefit in the marketplace.¹⁴

Opening up banking competition in Canada (for example, allowing foreign banks to compete on equal terms in consumer banking, or offering a captive finance company to apply for a bank charter) would not mitigate the distorting effects of the safety net subsidy in the short term. The oligopoly power of the established players would remain a formidable barrier to entry.

According to the president of one manufacturer's finance affiliate:

The banks are so rich and powerful they could bury us any time they wanted to. If the walls were taken down and [our company] could become a bank in Canada, it would take years to build up a deposit base to compete.

Counter-Argument: *Bank and CBA representatives argue that if the banks' have a safety net subsidy the advantage has to be spread over all the products offered by a bank. Concentrating this advantage on subventing leases would undermine its overall strategic effectiveness, especially since leasing is not expected to account for anything more than a small percentage of any one bank's total business.*

The CDIC, according to the CBA, is not a subsidy but an insurance program that cost the banks \$440 million in 1996. CDIC premiums, combined with regulatory costs and special taxes, offset to a significant degree any "safety net subsidy" advantage deriving from access to deposits.¹⁵

¹⁴ CFLA, op. cit., p. 18

¹⁵ Letter, Alan Young to Dennis DesRosiers, December 18, 1997

The CBA argues that the manufacturers' finance affiliates have, on balance, access to cheaper funds than Canadian banks.

Conflict of Interest / Customer Control

Conflict of interest arises from a number of perspectives.

- Banks have access to dealer information which could be used to compete against them.
- Banks could direct consumers to a favoured dealer over one that does not bank with them.
- Banks could change lending ratios to reduce the lease financing available to dealers.
- Banks could even sell vehicles “over the counter” in direct competition with dealers.

This was a key theme of the CADA and the captive finance companies in both their submissions and the interviews.

According to the CADA submission:

Automobile dealers are small business customers of the banks and rely substantially on the banks to finance their business. Dealers are customers of the banks for operating credit, lease credit, inventory financing and mortgages. As a result, the banks have a complete list of the dealers' retail lease customers and detailed financial records for each dealership. It is unfair to allow these same banks to compete with dealers for lease customers! It is an out-and out conflict of interest.¹⁶

Existing regulatory watchdogs would be ineffective in curbing abuses by banks within the leasing market, according to representatives of the dealers and finance affiliates. The representative of one captive finance arm suggested that dealers were so fearful of the power of the banks that they fear being blackballed for lodging a complaint under antitrust or protection of privacy legislation.

The submission of the Canadian Finance & Leasing Association echoes the above concerns:

Once banks become competitors of businesses they finance, there is a direct conflict of interest. How can government effectively regulate credit denial as a competitive weapon? How is the squeeze of tied-selling prevented? How are customer lists protected? Can any set of industry guidelines or government regulations realistically provide effective recourse and enforceable protection?¹⁷

One representative of a captive finance company interviewed stressed Canadian banks' nationwide retail branch networks and access to the payments system will facilitate the marketing of vehicle leasing programs from bank branches. For this reason, the respondent doubted the banks' assurances that they will not market from branches; the temptation would simply be too

¹⁶ CADA, op. cit. p. 2

¹⁷ CFLA, op. cit., p. B9

large. There would be no way to stop a bank from selling a vehicle direct. Some car dealers would always be willing to sell banks vehicles and banks could always find loopholes around regulations to prevent selling vehicles directly from their branches. Another representative of a finance affiliate suggested that if banks were not interested in marketing vehicle leases through branches, they would be satisfied with the existing regulatory framework, which allows them to engage in lease financing, operate leasing subsidiaries and offer near-lease products.

Even if banks were prevented from selling direct through their branches they could still exert considerable control over their customer. Indeed, some banks already offer vehicle purchasing advice services over the internet which directs customers to favoured dealers. These services provide consumers with extensive information and pictures on their vehicle selection including the MSRP of the vehicle. Once a vehicle is selected the consumer is directed to the nearest dealer but only dealers who use the bank are referred. The industry see these services as directing consumers to favoured dealers. If banks were allowed to lease vehicles, these same "advice services" could offer discounts to consumers who are then directed to favoured dealers.

Consumer representatives (APA) and the CADA also expressed fears about a concentration of purchasing power. As fleet or volume buyers, banks could purchase vehicles at minimal markups, enhancing their ability to engage in predatory pricing. This would, in the long term, undermine many dealers and ultimately limit consumer choice in the leasing market.

Counter-Argument: *Dealer leasing companies, the CBA argues, would not be the principal competitors of banks in the Canadian leasing business. Most are very small, and collectively they account for less than 15 percent of the market and are a shrinking presence. It would not be worthwhile for banks to devote a large amount of effort, or resort to unethical practices (denial of credit, use of confidential information) to force independent dealer lessors out of the market. The most likely scenario would see banks become close partners with their vehicle dealers. This would significantly increase the amount of competition in the market. Not only would the banks add to competition relative to the captive finance companies, but consumers would have more choice with whom to lease their vehicle.*

In addition, Canadian banks by no means enjoy a stranglehold on dealer financing. Dealers have access "to a broad range of alternative financing sources including provincially regulated trust companies, credit unions, insurance companies, and unregulated asset-based finance companies such as GE Capital and Newcourt Credit" and could move their finance business to other entities if banks used the alleged tactics. It is further argued that the manufacturers' finance affiliates have the same type of conflict of interest with dealers as is decried by opponents of bank leasing.

The banks further argue that the current Bank Act specifically prevents them from selling vehicles direct to consumers. If there are any concerns about selling direct they would encourage even tougher or more extensive language which would prevent their branches from competing directly for the retail consumer.

Past Behaviour of Banks in New Markets

Opponents to extension of bank powers generally do not believe that the Canadian banks, once granted the right to participate directly in the vehicle leasing market, will be satisfied with bit-player status. There is a consensus within the opposing camp that the banks “want it all.”

This contention is supported by pointing to bank domination of trusts and brokerage houses, following regulatory changes allowing banks to own trust companies and securities firms. The CADA submission cites a 1995 report by the Auditor General of Canada:

The Auditor General [points out] that banks have increased their market share of total assets held by investment dealers from zero percent in 1984 to 70 percent in 1994 and in the trust and loan industry from 36 percent in 1984 to 69 percent in 1994....Automobile dealers and their employees might well question how long it will take for these conglomerates to control the retail lease market.¹⁸

This example was cited again during interviews with the CADA and the captive finance companies. A representative of an independent leasing company asked, rhetorically, “has bank entry into brokerage and trusts enhanced choice? I would argue no.”

Counter-Argument: Banks have co-existed with traditional players in the U.S. vehicle leasing market since the early 1970s. They have not overwhelmed or crowded out the captive finance arms or the independent leasing companies. Bank “domination” of new markets in Canada is overstated.

The question also arises, on the basis of U.S. experience, as to what extent Canadian banks might actually take advantage of an extension of powers in the long run. Larger bank players south of the border participate in the market through arms'-length subsidiaries. This developed because the culture of vehicle leasing was, in a number of instances, found to be incompatible with established bank organizational cultures. This incompatibility outweighed many of the alleged advantages and has resulted in banks not dominating the market in the U.S.

Predatory Pricing

Representatives of small business and the manufacturers’ finance affiliates stressed the banks’ cost of funds advantage. One of the latter estimated this advantage at 300 to 400 basis points. This cost of funds advantage could combine with the opportunities for cross-subsidization arising from the banks’ sheer size and “deep pockets” to pave the way to massive subvention of lease rates.

Leases are subvented from time to time by the captive finance companies. One of the finance affiliate representatives, however, maintained that this was generally done to clear inventories, whereas the banks have, in other fields, discounted to establish dominant market share.

¹⁸ CADA, op. cit., p. 48

Stakeholders opposed to extending bank powers expressed that predatory pricing could destabilize the market. A scenario was advanced on several occasions of banks gaining a dominant market share while exposing themselves to massive residual losses. Such a scenario, it was further argued, was entirely plausible due to the banks' inexperience with residual value risk. A finance arm representative maintained that the banks' cost of funds advantage "can hide a lot of incompetence." Officials of the CFIB concurred that it was indeed possible for the banks to be "simultaneously all-powerful and incompetent" when entering new markets, as a result of size and deep pockets interacting with an incompatible corporate culture and inexperience.

The CFLA submission refers to the experience of Canadian banks in heavy equipment leasing as an example of the potential for market disruption:

In the 1970s, based on arguments for enhanced competition and borrower access to capital, the Bank Act was changed to permit banks into equipment leasing. Most banks rapidly acquired active leasing companies, but within a few years many left the business and the pool of capital available to the equipment leasing marketplace declined. Subsequently, it took some time for new companies to enter this market. Most were foreign-owned, and, ironically, many entered the market by acquiring the equipment leasing portfolios of banks which had withdrawn from the business.¹⁹

The fear of disruptive entry and exit by the banks draws on the premise that leasing is essentially a non-bank activity, and that vehicle leasing is inextricably tied to vehicle manufacturing.

According to the CFLA:

The primary role of the vehicle manufacturer finance companies...is to support the production and sales cycle of the manufacturing parent...Historically, they have been willing to accept lower profits on the leasing and financing of vehicles in order to smooth out the vehicle production cycle... [Existing players in the vehicle leasing market] are generally dependent on one basic business: the automotive business... It is difficult for [them] to disengage themselves from the industry in hard economic times. Banks, on the other hand, can easily enter and withdraw from the market based solely on their own profitability expectations.²⁰

Counter-Argument: According to the CBA, CDIC premiums, regulatory costs and specialized taxes more than offset any cost-of-funds advantages flowing from access to deposits. Dealers and vehicle companies are important customers of banks. By virtue of their commercial lending and consumer loan businesses, Canadian banks are involved in the automotive sector for the long haul.

The captive finance companies and multinational independent leasing companies are also large and sophisticated players. It would be difficult to force them out of the market through predatory pricing. Their market shares might temporarily suffer in the wake of aggressive marketing campaigns by banks, but they could be sustained by "deep pockets" of their parent firms, and have a fair chance to reclaim lost share after banks returned to market rates. The banks would also find it very difficult and very expensive to maintain predatory pricing. Predatory pricing rarely works since the economics of the free market are too compelling.

¹⁹ CFLA, op. cit., p. B8

²⁰ Ibid.

Key Role of Vehicle Distributors Finance Affiliates

It was stressed in both interviews and the submission of the CVMA/AIAMC that the captive finance companies play a critical role for dealers in providing financial services for dealers. This is particularly true in the case of small-market dealers, dealers with marginal credit ratings, or during down cycles in the new vehicle market.

Subsidized competition from, and possible predatory pricing by, banks will undermine the capacity of the finance affiliates to play this critical lender of last resort role. According to the CVMA/AIAMC submission:

As finance companies are not now earning excess profits, reduced profitability will weaken the strength of the affiliates. As a result, affiliates may be less able to provide needed credit to the many dealers that rely on the consistent source of financing that the affiliates offer. Additionally, affiliates that – unlike banks – provide credit to dealers over the entire business cycle, will be less able to support dealers during economic downturns. The net result will be a loss of jobs across Canada as dealerships are forced to close.

Officials of the finance affiliates interviewed maintained that in addition to being more dealer-friendly (this was mirrored by the CFIB's concerns about the small business lending philosophies of the Big Six), their firms were also more customer-friendly in their approaches than either Canadian or U.S. banks. Examples were cited of American banks hiring fulfillment companies to extract the maximum possible excess wear and tear charges from customers terminating their leases. Another example was given of U.S. banks using aggressive telemarketing to persuade lessees to refinance their vehicles at expiry of the lease especially if the bank was upside down on the residual value stated in the lease. It was further argued that U.S. banks have tended to "cherry-pick" the market, focusing on larger metropolitan areas, vehicle models with the strongest resale values, and customers with the highest credit ratings.

One senior official of a finance affiliate suggested that the banks' alienation of customers, combined with disruptive withdrawals from the market, could "poison the well", permanently crippling the Canadian vehicle leasing industry.

It was also stressed that the captive finance companies have taken the lead in establishing disclosure standards in Canada. Bank entry could do little to improve those standards.

Counter-Argument: Leasing is, in fact, a "cash cow" for finance affiliates. The captives finance arms are, in fact, sustained by the deep pockets of their parent corporations. Their position is not nearly so precarious and fragile as is suggested in auto industry submissions. In fact, they exercise oligopoly power over the Canadian vehicle leasing market. They are able to reap windfall profits from these powers to the detriment of consumers.

Bank Management of Residual Value Insurance and Credit Risks

Bank entry into the Canadian vehicle leasing market would entail exposure to a variety of additional risks: not only residual value risk but also credit risk, insurance risk, and excess liability risk. According to the CVMA/AIAMC submission:

Needless to say, when the bank attempts to provide all financial services to all people it can expose itself to significant risks that are normally dispersed among different companies (banks, insurance and leasing companies) ... This also poses considerable challenges for the capacity and capability of the supervisory and regulatory system to manage these risks. Existing public policy, with respect to auto financing and auto leasing, recognizes that banks are experts at managing and assessing credit risk, but should not be in the business of owning cars, managing and forecasting residual values of cars and assuming residual risk.²¹

These additional risks could expose banks to billions of dollars in potential losses. Residual and credit losses could be high enough to place strains on the CDIC.

Residual risk insurance is available, but in practice insurers providing this product have been less than reliable. In the United States, insurers have threatened bankruptcy and avoided paying claims. Others have used red tape to discourage filing for claims, or simply withdrawn from the market after covering heavy residual losses. The prospect of residual losses and the limitations of residual risk insurance has prompted a number of bank lessors in the United States to rely on aggressive telemarketing to sell vehicles when they are on the downside of the residuals curve.²² Others have resorted to self-insurance; if this took place in Canada an additional burden would be placed on the CDIC.

In the United States, several leading bank lessors have withdrawn from the market after incurring heavy residual losses (see U.S. Experience with Bank Leasing). The reduction of Canadian bank heavy equipment leasing portfolios (see the discussion of the CFLA submission in the section on Current Positions of Major Player Groups) is also cited as an example of banks' inherent weakness in managing residual risk.²³

Counter-Argument: Banks are, by definition, risk managers. According to the CBA: "banks are in the business of risk management; it is their core competency and they are very successful in managing risk across a wide range of fields, such as residential mortgages, commercial mortgages, collateralized loans, derivatives, etc. Sophisticated risk management systems and expertise have been developed by the various risk management departments of each of the banks." It is further pointed out that the Royal Bank has successfully managed the residual risk inherent in its "buy-back" product for 14 years.²⁴ Even in a worse case scenario, residual value losses would be very small relative to the asset base of the banks.

²¹ CVMA/AIAMC, p. 15

²² Ibid., p. 12

²³ See also CVMA/AIAMC, pp. 15-16

²⁴ Letter, Alan Young

In the United States, some banks may not have managed their lease portfolios very well. Others may have been pressured by residual risk insurers into adopting less-than-customer-friendly policies and practices. In the end, however, the free market system produces winners and losers, to a large measure on the criterion of customer satisfaction and meeting consumer needs.

Banks and Competition in the Vehicle Leasing Market

In the United States, banks have represented healthy competition in the vehicle leasing market and collectively are still smaller than the captive finance affiliates of the vehicle distributors. There is only one bank represented among the top ten lessors, and the bank leasing entity in question is an arm's-length subsidiary without access to deposit funds.

Opponents to extension of bank powers generally do not believe that the Canadian banks, once granted the right to participate directly in the vehicle leasing market, will be satisfied with bit-player status. There is a consensus within the opposing camp that the banks "want it all."

This contention is supported by pointing to bank domination of trusts and brokerage houses, following regulatory changes allowing banks to own trust companies and securities firms. The CADA submission cites a 1995 report by the Auditor General of Canada:

The Auditor General [points out] that banks have increased their market share of total assets held by investment dealers from zero percent in 1984 to 70 percent in 1994 and in the trust and loan industry from 36 percent in 1984 to 69 percent in 1994....Automobile dealers and their employees might well question how long it will take for these conglomerates to control the retail lease market.²⁵

This example was cited again during interviews with the CADA and the captive finance companies. Scenarios were presented of higher lease interest rates and lower standards of customer service if banks are allowed to squeeze existing players out of the market.

It is further argued that there is currently ample competition in the leasing market, provided by the captive finance arms, independent leasing companies and over one thousand dealer leasing companies (see the summary of the CFLA submission). The manufacturers' finance affiliates are already operating on thin profit margins. Banks have ample opportunity to participate in the vehicle leasing market through lease financing and near-lease products.

Counter-Arguments: Extension of bank powers to encompass residential mortgages (in the 1960s) and the securities industry (in the 1980s) benefited consumers, according to the CBA. In the former case, spreads were reduced and availability greatly improved. In the latter, brokerage commissions were reduced as a percentage of volume traded. In the United States, lease interest rates are, on average, lower than in Canada despite a higher prime rate.

The existing situation in the Canadian vehicle leasing market is far from one of perfect competition. According to the CBA: "Any consideration of the issue of concentration must not

²⁵ CADA, p. 48

*overlook the high levels of concentration in the automobile leasing industry. The foreign financing arms of the auto manufacturers currently control 75 percent of the Canadian market.*²⁶

Cross-selling

A common fear expressed by representatives of groups opposed to leasing was that banks, if allowed directly into vehicle leasing, would view their leasing operations not so much as a profit center as another vehicle for attaining domination of the consumer financial services market. Leasing will become yet another “domino” following other changes to the Bank Act that have allowed Canadian banks to climb to commanding positions in mortgages, vehicle loans, and securities. Indeed, the banks can be expected to use their strong positions in existing consumer financing markets to “relationship-sell” or cross-sell vehicle leases. In the initial stages of the banks’ marketing campaigns, leases might be aggressively subvented in order to entrench the concept, in consumer attitudes and perceptions, of the bank branch as a one-stop shopping center for personal financial services.

Another scenario presented is that of active pressure on consumers to lease vehicles through banks in order to maintain access to credit. According to the submission of the CADA:

Consumers may also be pressured to lease through banks because of their borrowing requirements such as personal loans and mortgages. Tied selling practices are almost impossible to prevent and would likely result from bank entry into the direct lease market.²⁷

The prospect of cross-selling is seen as particularly worrisome if the banks are allowed to market leases directly from bank branches rather than only through dealers. The customer would be captive to the bank and the variety of financial products they market.

Counter-Argument: Banks are not alone in “tied selling”, “cross-selling” or “relationship selling.” Vehicle companies sell accessories, rustproofing, disability and life insurance and extended warranty contracts. The auto sector “in reality” is not against tied selling. They just want “exclusive rights” to tied selling their products. Opportunities for cross-selling by vehicle companies even extend to financial services. According to the CBA, “it’s now possible to get a mortgage from a Ford Motor Co. subsidiary [Ford Credit], but not a car lease from a Canadian bank.”²⁸ Bank participation in the market would not lead to bank domination. Rather, it would enhance consumer choice in a market that is now almost completely dominated by the captive finance companies through corporate leasing programs and dealer lease financing.

²⁶ Letter, Alan Young

²⁷ CADA, op. cit. p. 53

²⁸ Del Rizzo, op. cit.

8. Detailed Arguments In Favour of Extending Bank Powers to Leasing

Arguments in favor of extending bank powers focus on the following points:

- Leasing and loans are closely related activities and close substitutes for one another in the mind of the consumer. Leasing is thus a natural activity for banks.
- The rapid growth of leasing in the Canadian new vehicle market has occurred primarily at the expense of bank loan portfolios.
- Foreign-owned captive finance companies have been the principal beneficiaries of the growth of leasing. Canadian-owned banks are shut out. The manufacturers' finance affiliates constitute an effective oligopoly, limiting consumer choice. As a consequence, Canadian consumers pay higher lease interest rates than those in the United States, despite lower prime rates.
- In the United States, banks have been allowed to lease since 1963, and none of the disaster scenarios envisioned by dealers, vehicle companies or small business associations has materialized. Banks remain a competitive player providing stability to the leasing market. Bank leases are marketed through dealers, rather than at bank branches. No banks have failed specifically because of residual losses.

The Relationship between Lending and Leasing

Bank representatives argue that leasing is a natural extension of lending. They share a number of common administrative processes, including origination, credit approval funding, administration, and collections. The strong upsurge in leasing's share of the automotive consumer financing market, from 16 percent of units moved from dealer lots in 1993 to 46 percent in 1997, underscores the fact that the two types of instruments are viewed by the public as direct competitors. Direct substitution is also implied by the common sales pitch "Why buy when you can lease?" This calls into question a policy that excludes banks from a growing field that fits naturally with their experience and accumulated expertise in automotive consumer markets.

Counter-Argument: Banks already participate in the leasing market through subsidiaries, lease financing and near-lease products. Prohibiting banks from directly operating leasing entities by no means entails exclusion from the leasing market.

Canadian versus Foreign Ownership

Canada's Big Six chartered banks are Canadian-owned, whereas the manufacturers' finance affiliates, who controlled 75 percent of the national market in unit terms in the first half of 1997, are all foreign-owned. The two largest independent leasing companies operating in Canada - GE

Capital and PH&H are U.S.-based, and this brings the foreign-owned share to well over 80 percent.²⁹ The current Bank Act prohibition against direct operation of a leasing business by banks, then, serves as an effective restriction on Canadian ownership, according to banking industry spokespersons.

*Counter-Argument: Canadian ownership in itself does not guarantee benefits to consumer markets or the economy as a whole. This is particularly true given the increasing global mobility of capital. A common criticism of foreign investment is that it results in the repatriation of profits to the investors' home country. The CVMA/AIAMC submission makes the point, on the other hand that "the automotive manufacturers and their affiliated finance companies have invested more than 300 percent of their cumulative profits in Canada over the last ten years."*³⁰

Consumer Benefits

In the United States, where banks are allowed to directly participate in the leasing market, the average interest rate on vehicle leases was found during 1997 to be 108 basis points lower than in Canada (8.34 percent versus 9.42 percent).³¹ With loans where banks are allowed to compete the interest spread is 99 basis points in favour of Canadian consumers.

Table 20
Current Relative Competitiveness of Loans and Leases in Canada vs. the USA

	Canada (n=18)	USA (n=45)	Variance: Canada Compared to USA
Loans			
• Average interest rate	7.42% (n=16)	8.41% (n=41)	-0.99% pts
Leases			
• Average interest rate	9.42%	8.34%	+1.08% pts
• Average monthly payment as a % of net capitalized cost	1.79%	1.71%	+0.08% pts
• Average residual as a % of gross capitalized cost	56.77%	56.53%	+0.24% pts

Source: Vertex Consultants

Previous changes in the Bank Act that facilitated the entry of the chartered banks into residential mortgages (in the 1960s) and brokerage (1980s) resulted in savings to consumers. Spreads between mortgage rates and Canadian bond rates have declined from near 4 percent in 1970 to about 2 percent today. In the securities industry, commissions as a percentage of total trading on

²⁹ Vertex Consultants Inc., *Research on Vehicle Lease Data in Canada and the United States*, report prepared for the Canadian Bankers' Association, October 1997, page 2

³⁰ CVMA/AIAMC, p. 4

³¹ Vertex Consultants, p. 3

on the Toronto and Montreal stock exchanges declined from 1.6 percent in 1987 to 0.9 percent in 1995.³²

Banks have long-standing experience in automotive consumer markets and risk management, and Canadian banks' extensive branch networks make them efficient marketers.

Counter-Argument: A survey undertaken by CFLA found net yields on vehicle loans marketed at bank branches to be as much as 400 basis points higher than on those marketed through dealers (see Table 19). This raises two questions: 1) what would happen to lease rates if banks obtained a stranglehold on Canadian vehicle leasing and were free to shift the focus of marketing to their branch network, and, 2) are the loans marketed through dealers being subvented in a predatory manner? The CVMA/AIAMC submission argues that the low interest rates charged on loans marketed through dealers reflect a loss-leader strategy designed to drive the captive finance arms from the market. It continues "If banks were to use this strategy in the leasing market, it would be devastating to affiliates, as leasing is a core activity of affiliates."³³

³² Letter, Alan Young, December 18, 1997

³³ CVMA/AIAMC, p. 20

Table 21
Bank Consumer Loan Rates (as of April 17, 1996)

Loans Via Dealers (2-5 Years)			Loans From Bank Branches (1-5 Years)			
Bank of Montreal						
Dealer Plan Rate	Dealer Commission	Net Yield	Stonegate Shopping Center	Kennedy & Sheppard Branch	Main St. Markham Branch	
8.95	\$350	7.95	416-251-3323	416-291-7987	905-294-1033	
8.70	325	7.77	1 Year	9.50	9.50	9.50
8.35	300	7.49	2 Year	9.75	9.75	9.75
			3 Year	10.00	10.00	10.00
			4 Year	10.00	10.00	10.00
			5 Year	10.00	10.00	10.00
(7% variable rate up to 24 months pays \$75)			variable/floating rate loan - prime +2%			
Bank of Nova Scotia						
Dealer Plan Rate	Dealer Commission	Net Yield	Markham & Hwy 48 Branch	Cloverdale Shopping Centre	Davis & Leslie Branch	
8.95	\$350	7.95	905-294-3113	416-233-5547	1-905-830-5900	
8.35	300	7.49	1 Year	10.25	9.25	10.00
7.90	150	7.47	2 Year	10.75	10.00	10.25
			3 Year	10.75	10.00	10.75
			4 Year	11.50	11.00	11.25
			5 Year	11.50	11.00	11.25
(7.25% variable rate-12 months pays \$0)						
Toronto Dominion						
Dealer Plan Rate	Dealer Commission	Net Yield	Bayview Mall Branch	Warden & Hwy 7 branch	Lakeshore & Third Branch	
9.25	\$350	8.24	416-223-6310	905-940-9505	416-259-7645	
9.00	325	8.07	1 Year	8.00	8.00	8.00
8.25	300	7.39	2 Year	8.75	8.75	8.75
7.90	175	7.40	3 Year	9.25	9.25	9.25
			4 Year	9.75	9.75	9.75
			5 Year	10.25	10.25	10.25
(6.75% variable pays \$100)			variable/floating rate loan - prime +1%			
CIBC						
Dealer Plan Rate	Dealer Commission	Net Yield	Wilson & Keele Branch	Hwy 48 & 16th Branch	Yorkdale Mall Branch	
10.50	\$300	9.38	416-633-9155	905-471-8080	416-789-7373	
9.25	0	9.25	1 Year	depends on credit history -	10.50	depends on credit history -
			2 Year	as low as	10.75	as low as
			3 Year	8.50% up to as	11.00	9.00% up to as
			4 Year	high as 9.25%	11.25	high as 10.5%
			5 Year		11.50	
(Special - 8.9% pays \$300)			(all calls forwarded to same CIBC service center 800#)			

Source: CFLA

No “Disaster Scenarios” in the United States

Bank have been able to directly operate vehicle leasing businesses in the United States since 1963. They have coexisted with traditional players and have not overwhelmed or crowded out the captive finance arms or national independent leasing companies. In spite of the massive resources that can be commanded by leading global players such as Citibank and Chase Manhattan they have remained second tier players. If banks are allowed to compete on an equal and unfettered basis in Canada, the market will reach a equilibrium based on the competing players’ relative success in meeting consumer needs and maximizing customer satisfaction. If the banks are indeed bureaucratic, inefficient, and less customer-friendly than the traditional lessors, as critics charge, they will indeed be punished by the marketplace.

Bank representatives suggest that the manufacturers’ finance affiliates fear competition in the leasing business because it is highly profitable for them, in part because they exercise oligopoly control.

The CBA maintains that opponents of bank leasing have overstated the degree of bank control of new financial services markets entered by banks in recent decades. Canadian banks account for only 26 percent of the mutual fund industry and 50 percent of the residential mortgage market.³⁴ It is far from a foregone conclusion, then, that the banks will “steamroller” their competition in the Canadian vehicle leasing market.

Counter-Argument: The American experience with bank leasing is not directly applicable to Canada, because of the fundamental differences in the way the two countries’ financial services sectors are structured.

Because of their safety net subsidy, relying on U.S. experience to provide an indicator of the impact of bank vehicle leasing on the Canadian leasing market is inappropriate. Canadian and U.S. banks are described as an “apples and oranges” comparison. This is because the regulatory framework governing the Canadian banking system contains a greater safety-net subsidy, particularly through the payments system, a greater share of funds raised through deposits, and the “too big to fail doctrine.”

U.S. banks also have a somewhat checkered history in vehicle leasing. There were a number of high-profile failures in the leasing market brought about by residual losses in the late 1980s. If large Canadian banks ran into similar trouble in the Canadian market, their withdrawal could seriously disrupt the infrastructure of vehicle leasing in Canada, and limit consumer choice until new players stepped in to fill the void.

³⁴ Letter, Alan Young

9. U.S. Experience With Bank Leasing

Proponents of allowing banks to engage in vehicle leasing point to experience in the United States, where banks have coexisted with the traditional players in the leasing market since the 1970s.

The history of bank involvement in leasing in the United States can be divided into four distinct periods:

- An initial period of caution and limited involvement extending from about 1976 to 1981.
- A period of rapid expansion between 1981 and 1986, driven by favorable tax changes and rising residual values.
- A shakeout occurring between 1986 and 1991, caused by new, less generous tax laws, declining residual values, recession, and poor management practices among many players.
- A new equilibrium, characterized by banks as secondary players, and some cautious re-entry by banks.

National banks in the U.S. were first authorized to lease by the Comptroller of the Currency in 1963. They were given additional flexibility in 1970 by the Federal Reserve Board, which allowed bank holding companies to enter the market. However, banks did not display a significant interest in the American vehicle leasing market until the latter half of the 1970s. At that time, retail leasing began to grow in popularity, led by the market in California. Banks noticed independent retail and leasing companies were beginning to cut into their car loan business. At this point, some of the larger banks entered the market essentially as a defensive measure. Programs offered by banks in the late 1970s were described as “conservative.” Like those offered by the independent and dealer leasing companies, they stressed customer service rather than aggressive rates and terms.

The period from 1981 to 1986 was one of rapid expansion in the American leasing market as well as in bank participation in that market. Two taxation changes enacted by the Reagan Administration provided a powerful stimulus to the industry. These changes were contained in the Economic Recovery Tax Act (ERTA):

- The Investment Tax Credit (ITC) available to the lessor was increased from 3.33 percent of the lease cost to 6 percent. ITC was now recaptured only on a pro rata basis if the lease was terminated before three full years; under preexisting legislation it was fully recaptured.
- Vehicles owned by lessors could now be depreciated to zero over three years, rather than only to their residual value over the term of the lease.

Tax subsidies estimated at the equivalent of 600 to 800 basis points on the lease rate. This combined with rising residual values and the absence of lease rate disclosure requirements (because lease payments were much lower than conventional loan payments, customers rarely

asked questions) made leasing highly profitable; it was practically impossible for lessors to lose money during this period. Traditionally risk-averse banks began to seriously examine the vehicle leasing market, paying special attention to its tax-shelter possibilities, and entered in large numbers.

The bubble of this expanding market was burst by several developments in the late 1980s.

In 1986, the Tax Reform Act reduced leasing tax write-offs by over 80 percent, and prohibited the trading of tax credits between entities. As the decade drew to a close, residual values plummeted as a large block of vehicles purchased during the economic recovery of the mid-1980s entered the used car market. Values declined by between 10 percent and 25 percent on most models, and as much as 50 percent on some luxury imports. Tax benefits could only be claimed on closed-end leases after a 1982 court ruling; so lessors had to bear all the residual value risk. As residual values slid, buying out a lease and flipping a vehicle was no longer an option for the lessee. Thus, the vast majority of leases now ran to term, most commonly 60 months, and lessors faced unprecedented repair and maintenance outlays. Finally, the high administrative costs involved in leasing, previously obscured by favorable tax laws and rising residual values, suddenly became exposed on financial statements.

Repossessions increased in frequency; because of shrinking residual values, these now entailed substantial losses to the lessor. During the boom period, bank lessors loosened credit standards in order to keep pace with the aggressive programs of the captive finance companies. Predictably, a significant percentage of lessees with marginal credit ratings defaulted, and this share grew with the recession of 1990-91.³⁵

To many U.S. banks who had entered the vehicle leasing market, their leasing arms became cash drains rather than cash contributors.

The predictable result was an exodus of numerous bank players. Marine Midland incurred huge residual losses and withdrew from the leasing market. It needed to sell a range of other assets in order to cover the liabilities arising from its lease portfolio. Security Pacific, including its leasing division, was acquired by Bank of America. Perpetual Leasing, a division of Perpetual Savings Bank of Virginia, was divested by its parent, which was following a retrenchment strategy of returning to its core businesses.

With the recovery of the general economy and the new vehicle market after 1992, bank lessors settled into a smaller role in the automotive leasing industry. Remaining players acquired experience in the business and better-qualified personnel to manage their programs. Consequently, they have been profitable and scored strong customer satisfaction ratings.³⁶ While automotive leasing experienced unprecedented growth in the United States (as in Canada) during the 1990s, banks have been generally cautious about expanding their presence in the market. The

³⁵ Randall R. McCathren and Ronald S. Loshin, "Historical Perspective on Bank Auto Leasing" in *Auto Financing Update*, December 1991 - February 1992 (article in three parts)

³⁶ R. McCathren and S. Loshin, "The Future of Automotive Retailing" in *Auto Financing Update*, August 1996, pp. 4-5

experience with fluctuating residuals in the late 1980s led many banks to see vehicle leasing as a high-risk activity, not compatible with their core business. The failure of several subprime lenders specializing in the automotive market during the 1990s placed the entire automotive finance sector in a difficult position with much of the U.S. banking industry. According to a recent article in *American Banker*:

Recent debacles at subprime auto lenders such as Mercury Finance Co., which bought loans made to consumers with the worst credit, have so tarred the entire field that almost no banks are willing to consider buying any company connected to auto finance, investment bankers say.

Another reason banks may be shying away from auto lenders is that they know their own history of integrating nonbank companies is not good. The culture gap between a government-regulated bank and an independent auto financier is truly as vast as it sounds, investment bankers say.³⁷

The reference to “history of integrating nonbank companies” is noteworthy. The larger banks players, such as Chase Manhattan, currently participate in the leasing market through arms-length subsidiaries (e.g. Chase Auto Finance). These must borrow funds at market rates. Experience appears to have shown, however, that forfeiture of the cost-of-funds advantage of direct bank operation of leasing enterprises is more than offset by the benefits of an organizational culture and skill set that is more focused on the leasing business.

Since the shakeout of 1986 to 1991, there have been only a few examples of banks expanding their presence in the vehicle leasing market. Most recently, the Mellon Bank, headquartered in Pittsburgh, and the Florida-based Barnett Bank, have acquired auto leasing companies. In late 1996, Mellon, which carried a leasing portfolio valued at US\$1 billion, purchased FULInc of Chicago and USL Capital Corp., a subsidiary of Ford Motor Co³⁸. The latter company’s assets were valued at \$1.5 billion. In the spring of 1997, Barnett acquired Oxford Resources Corp. of Melville, NY for \$570 million.³⁹

The history of bank involvement in the automotive leasing market may thus be described as a “roller-coaster ride.” At the end of it, banks emerged as secondary but important players, especially if one considers banks that directly run leasing enterprises as opposed to those that do so through arms’-length subsidiaries. In 1996, only one of the top ten vehicle lessors was a bank (via an automotive financing subsidiary); it accounted for less than five percent of the total market (see Table 22). Vehicle company captive finance arms remain clearly dominant. The seven largest vehicle company lessors reported a combined market share of almost 60 percent.

³⁷ Aaron Elstein, “Subprime scandals scare most banks out of auto finance” in *American Banker*, May 29, 1997, p. 11

³⁸ “Mellon using bond issue to buy two lease firms” in *American Banker*, September 16, 1996, p. 30

³⁹ Elstein, op. cit.

Table 22
Ten Leading Vehicle Lessors in the United States - Fiscal 1996

Lessor	Units Leased	Market Share
Ford Red Carpet	643,402	19.4%
General Motors Acceptance	495,128	15.0%
Toyota Motor Credit Corporation	276,171	8.4%
American Honda Finance	183,089	5.5%
Nissan Motor Acceptance	169,215	5.1%
Chase Auto Finance	163,167	4.9%
GE Capital	133,615	4.0%
World Omni Financial	123,580	3.7%
Chrysler Financial Corporation	87,920	2.7%
Mazda American Credit	72,418	2.2%

Source: *Automotive News*, April 28, 1997

The entry of banks into the automotive leasing market in the United States has not constituted a juggernaut pushing aside pre-existing players. Groups opposed to bank leasing in Canada, on the other hand, argue that the American situation is not directly comparable to that in this country. They point, in particular, to the oligopoly power of Canadian banks. Also, the *disruption* of the market reflected by lower rates of leasing that resulted from the failure of several large bank leasing ventures in the late 1980s is presented by opponents as a warning to Canadian policy makers.

Stakeholders opposed to extending bank powers challenge the applicability of the U.S. experience to the Canadian vehicle leasing market. The principal bases for their challenge are:

- Differences in the structures of the two countries' banking systems;
- Differences in the corporate cultures and philosophies of Canadian and U.S. banks.

The structure of the Canadian banking system is vastly different from that in the United States. In Canada, it is pointed out, the six largest banks account for roughly 80 percent of all deposit-taking. The corresponding figure in the United States is 15 percent.⁴⁰ In large metropolitan areas in the United States, dealers and other small business clients can choose from among hundreds of banks from which to obtain financing, whereas in Canada they are limited to six. Because there is much less competition, it is argued, Canadian banks have less to lose from employing hardball tactics (denial of credit, use of customer lists, tied selling) to drive existing players out of the leasing market.⁴¹

⁴⁰ CADA, pp. 45-46

⁴¹ Interviews with Richard Gauthier and Huw Williams, CADA, December 9, 1997, and Brian Gray, Ted Mallette and Catherine Swift, CFIB, December 9, 1997

U.S. banks serve local or regional markets. Even the largest global players are, in the domestic market, broken down into arms'-length sub-units serving different regions. They thus do not have a cohesive national retail branch network that could facilitate direct marketing of leases to consumers. Direct selling would be logically much simpler for the Canadian Big Six banks, which have coast-to-coast neighborhood retail branch networks.

Business units of American banks, it is further argued, are generally required to function as profit centers. Canadian banks, by contrast, are more willing to cross-subsidize and employ loss-leader pricing to gain dominant share in new markets. It was suggested in several interviews that such a strategy was employed by Canadian banks in the brokerage business and car loans and is currently being used in the insurance field.⁴² Indeed, an example was presented of a senior Canadian bank executive freely admitting a practice of loss-leader pricing of vehicle loans and lease financing, with a view toward maximizing cross-selling and building “relationship banking.”

“From a strategic approach, three years ago, we looked at the retail auto business, and after a great deal of contemplation, decided that we were only making marginal profits in this portfolio as a number of banks found out during the same period. But we did find out that the car loans were a great loss leader for other products that we offer in the Canadian branches, things like mortgages, deposits, investment products, credit and debit cards... Because our approach is now more to relationship banking to build our customer base with potential for cross-selling, our strategy, therefore, is to not only actively pursue the indirect auto market but at the same time take aim at any other indirect market that is available today.”⁴³

⁴² Interview with CFIB

⁴³ Presentation by James O'Donnell, Senior Vice-President, Bank of Nova Scotia, as part of Consumer/Retail Portfolio Panel Discussion, Consumer Banking Association Conference, San Francisco, 1994

Appendix A: Size and Structure of the Market

Financing Trends in the Retail Vehicle Market

In the retail vehicle market, the popularity of leasing has grown at the expense of both loans and cash purchases (Table A1). In 1989, 57 percent of new vehicles moved from dealer lots were purchased with the aid of a loan. This figure declined steadily to 40 percent in 1994 before rebounding slightly to 42 percent in 1996 and then declining again to 31 percent in 1997. The number of loans issued to finance new vehicle purchases trended downward between 1989 and 1995, from 645,000 to 355,000. Loans in 1996 increased slightly but fell back to 351,000 units in 1997.

Retail leases have grown from 44,000 units in 1989 to 527,000 units in 1997 an average annual growth rate of over 40 percent. This phenomenal growth in leasing has come primarily at the expense of the providers of loans. Cash purchases have also declined significantly in the retail market falling by more than half over the period.

Chart A1

Finance Market Shares for Retail Vehicle Sales 1989 vs. 1997



Table A1
Structure Of New Light Vehicle Finance Market - Retail Sales Only

	Total Retail Sales (000's)	Change From Previous Year	Retail Lease Units Estimate (000's)	Retail Lease Percent Estimate Percent	Retail Cash Units Estimate (000's)	Retail Cash Percent Estimate Percent	Retail Loan Units Estimate (000's)	Retail Loan Percent Estimate (000's)
1989	1129		44	4%	441	39%	645	57%
1990	1025	-9.2%	45	4%	421	41%	560	55%
1991	981	-4.3%	70	7%	372	38%	539	55%
1992	941	-4.2%	97	10%	367	39%	477	51%
1993	885	-5.9%	216	24%	310	35%	359	41%
1994	936	5.8%	247	26%	319	34%	370	40%
1995	866	-7.5%	251	29%	259	30%	355	41%
1996	897	3.7%	289	32%	233	26%	375	42%
1997	1127	25.7%	527	47%	249	22%	351	31%
1997/96 Avg. Annual	25.7%		82.6%		6.8%		-6.4%	
1989-95	-4.3%		33.7%		-8.5%		-9.4%	
1995-97	14.1%		45.0%		-2.0%		-0.7%	

Source: DesRosiers Automotive Consultants Inc.

Financing Trends In the Fleet Vehicle Market

Financing trends for the fleet market are more difficult to estimate than for the retail market. Most of the estimates in this report are based on discussions with fleet buyers and providers of fleet financing products.

The market for fleet vehicles is less cyclical than the retail market for vehicles and has very different financing trends. In the fleet market, loan products account for a higher percent of financing than lease products. Loans have also been increasing over the last five years from a low of 33 percent of purchases in 1992/93 to a high of 49 percent of purchases in 1996 (Table A2).

Leasing has declined from a peak of 58 percent of purchases during 1993 to 44 percent of purchases in 1997. We believe this is because of the rapid growth of daily rental vehicles which are primarily purchased with a line of credit or a loan. A relatively small percentage of fleet sales, under 10 percent, are cash purchases.

Fleet buyers are generally more sophisticated than retail buyers. Disclosure issues are less important, as they have the knowledge and experience required to determine the optimum financing method. Few consumers understand the financial trade-offs between a loan and a lease. Because these vehicles are used primarily for commercial purposes most fleet leases are

open-ended. The lessors and insurance industry generally will not take the residual risk built into a fleet vehicle.

One of the important groups within the fleet market are vehicles purchased for executive use. Three of the largest leasing companies in Canada, GE Capital, PHH and AT&T Capital are also fleet management companies. They acquire fleet vehicles for large corporations and manage the entire purchase cycle, acquisition, repair and disposal. Most of the fleet vehicles managed by these companies are leased with ownership remaining with the fleet management company rather than the end user of the vehicles.

Chart A2
Finance Market Shares for Fleet Vehicle Sales
1989 vs. 1997

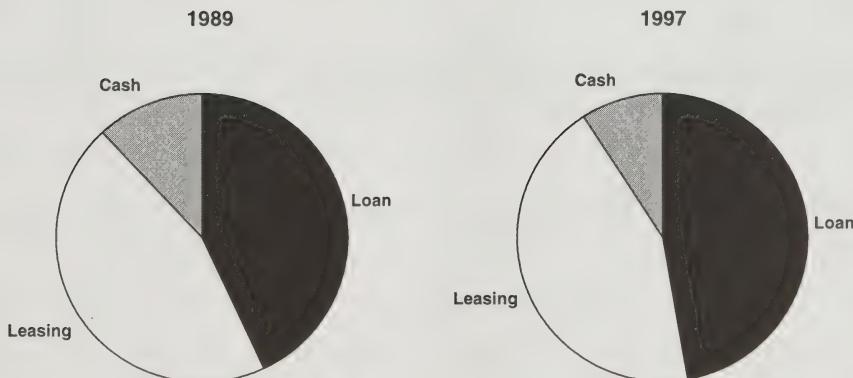


Table A2**Structure Of New Light Vehicle Finance Market - Fleet Sales Only**

	Total Retail Sales (000's)	Change From Previous Year	Fleet Lease Estimate (000's)	Fleet Percent Estimate Percent	Fleet Estimate (000's)	Cash Estimate Percent	Fleet Estimate (000's)	Cash Estimate (000's)	Fleet Loan Percent Estimate (000's)
	(see note)								
1989	337		152	45%	40	12%	145	43%	
1990	274	-18.7%	132	48%	34	13%	108	39%	
1991	290	5.7%	151	52%	33	12%	105	36%	
1992	271	-6.5%	153	57%	29	11%	89	33%	
1993	280	3.4%	163	58%	25	9%	92	33%	
1994	296	5.8%	154	52%	27	9%	115	39%	
1995	266	-10.4%	125	47%	25	10%	115	43%	
1996	276	3.9%	117	42%	23	9%	135	49%	
1997	263	-4.7%	114	44%	24	9%	124	47%	
1997/98	-4.7%		-2.3%		3.1%			-8.2%	
Avg. Annual									
1989-95	-3.9%		-3.2%		-7.4%			-3.8%	
1995-97	-0.5%		-4.3%		-2.6%			4.0%	

Note: Many cash sales are likely paid for from corporate credit lines.

Source: DesRosiers Automotive Consultants Inc.

Appendix B: Summary of the Positions of the Various Players

Banks and Trust Companies

The Canadian Bankers Association's submission to the Task Force covered the leasing issue in very broad terms and devoted little attention directly to the issue of vehicle leasing. The Association's argument focused on the fact that the existing regulatory framework extends preferential treatment to closely-held non-bank deposit takers which are allowed to engage in leasing.

More detailed arguments in favor of allowing banks into leasing were presented in the July-August 1996 issue of *Canadian Banker* and during our interview process. The principal themes advanced were:

- Canadian ownership of banks, as contrasted to the foreign ownership of automotive finance companies.
- Harmonization of Canadian policy with that of other industrialized countries, including the United States, where banks are allowed to lease.
- Consumer interest: price competition and improved disclosure.
- The close relationship of leasing to consumer lending, making it a natural extension of existing bank activities.
- Bank leasing in the United States has not disrupted the market.

The CBA argued that exclusion of Canadian-owned banks from the vehicle leasing market constituted a double standard:

You can get a mortgage from a U.S. car company in Canada, but you can't get a car lease from a Canadian bank. Isn't it time to open up the auto leasing market to domestic competition? ... The law continues to allow for the control of the Canadian auto-leasing market by foreign-owned finance companies. A 1994 member survey by the Canadian Finance and Leasing Association showed that the finance subsidiaries of the big U.S. car makers – General Motors Acceptance Corp. of Canada, Ford Credit Canada and Chrysler Credit Canada (all wholly owned by their U.S.-based parent corporations) – control 92 percent of the total asset leasing market surveyed in this country.⁴⁴

It was also argued that Canadian policy is out of step with that of its major trading partners, and has been skewed by special-interest lobbying:

Current legislation forbids the chartered banks from offering car leases, making Canada the only OECD country without open competition by banks in the car-leasing business. Although Ottawa had

⁴⁴ Aaron Del Rizzo, "Auto suggestion" in *Canadian Banker*, July-August 1996, page 28

been expected to drop this restriction as part of the 1997 Bank Act revisions, it now looks as though that won't happen after all, thanks to strenuous lobbying by leasing companies and car dealers and despite plenty of evidence showing that consumers would be better served if banks were allowed entry into car leasing.⁴⁵

The CBA maintained, in the article, that absence of banks from the market allows the vehicle companies to maintain oligopoly control over the vehicle leasing market. Consumer choice, value and disclosure consequently suffer:

The influence of the U.S. car companies on the Canadian market is increased by the fact that most new-car dealers act as lease brokers for the manufacturers, thus allowing the car makers to control the entire leasing process. They tell the dealer what the front end or capital cost of the vehicle will be, as well as the term of the lease contract, the interest rate and the residual value. This hides the real cost of leasing and greatly limits the choice of consumers who want to lease a car. If banks were allowed to offer car leases, then consumers would at least have an alternative to the car manufacturers' finance packages.⁴⁶

Leasing, according to the CBA, is a natural extension of existing bank activities:

It may seem odd that banks can't offer car leases, since they already finance car purchases with loans. Indeed, the Ministry of Finance's 1976 white paper on banking legislation stated that "...leasing will become a close substitute for term lending and borrowing from the capital market. It becomes, therefore, a natural activity for the banks..."⁴⁷

Finally, the Association argues that the captive finance companies are adequately equipped to compete with Canadian banks. It further argues that U.S. experience with banks in leasing should provide adequate assurance that Canadian banks will not overrun the market and emerge as a new oligopoly in the leasing industry:

In the United States, [the captive finance arms] compete very successfully against U.S. banks for leasing business. In Canada, however, they insist they need to be protected from competition from Canadian banks. Yet these are very large, successful and competitive organizations. Ford credit's 1995 net income worldwide was US\$1.395 billion, or close to C\$2 billion, substantially greater than the C\$1.262 billion in global net earnings reported by Canada's largest bank, Royal Bank, in the same year....The Canadian Automobile Dealers Association and individual car dealers worry that [if regulations are changed] the banks would crowd them out of the market. The banks, for their part, point out that they wouldn't want to bypass dealerships and sell cars directly to retail customers; after all, they're not in the car business. Banks would simply provide another form of lease financing, through their branches or through existing car dealerships, which would result in the clear benefits of greater competition and increased consumer choice.⁴⁸

New Vehicle Dealers

The Canadian Automobile Dealers Association (CADA) submitted a brief titled *Banks and the Vehicle Leasing Business: Protecting the Consumer and Small Business*. It expressed the Association's opposition to vehicle leasing by banks on the following grounds:

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ Ibid.

- Direct bank participation in the vehicle leasing market represents a conflict of interest. The temptation would loom large for banks to use their position as lenders to dealers to suppress competition in leasing, possibly through such subtle measures as reducing the allowable debt-to-equity ratios for obtaining lease financing.
- The bank leasing arms would not operate on a level playing field, due to the concentration of power in the Canadian financial services sector. The “Big Six” banks control over 90 percent of total banking assets, a level of concentration that is not matched by any other G-7 country. Canadian banks, could dig into their “deep pockets” to obscure overhead (which would be shifted to other operations of the bank) and finance predatory pricing. This would squeeze car and truck dealers, who operated on razor-thin profit margins averaging 1.3 percent. CADA estimates that this profit squeeze on dealers, combined with the impact of anti-competitive practices by banks, could result in the layoffs of over 20,000 employees at dealerships, or one fifth of the national total.
- There is ample competition in the vehicle leasing market in Canada, and bank entry would not benefit consumers. “In the current lease market 3800 dealers compete vigorously on price” states the submission.⁴⁹ A market research study commissioned by CADA indicates that the overall level of satisfaction with vehicle leasing among consumers is high, and that the vast majority of lessees would lease again⁵⁰. Participation by banks would not guarantee lower lease prices over the longer term; escalating service charges and high credit card interest rates are cited as examples.
- Given the highly competitive nature of the existing vehicle leasing market, banks may seek out the lowest-risk customers and vehicle models. “The bank doesn’t want all of the baggage that is part and parcel of car leasing” states the brief, “they simply want to skim the cream.”⁵¹ The remaining consumers would have to be absorbed by the vehicle industry which would have no choice but to serve this second tier customer since their businesses are dependent on consumers purchasing vehicles.

The fear was also expressed during the interview that the ultimate goal of banks is to market leases from bank branches. In addition, bank leasing would inevitably lead to banks entering into the business of selling vehicles, as they would have to dispose of off-lease vehicles.⁵² Direct selling of new or used vehicles would shake the very foundations of the dealer body in Canada. Only large, very powerful dealers able to negotiate dealers with banks to secure vehicles would be able to survive.

Two individual dealers also submitted briefs to the Task Force. The O'Regan family, which owns six outlets in Nova Scotia, and Myron MacKay, principal of Fair Isle Ford Sales in Charlottetown, expressed strong objections to bank leasing.

⁴⁹ CADA, *Banks and the Vehicle Leasing Business: Protecting the Consumer and Small Business*, submission to the Task force on the Future of the Financial Services Industry, October 31, 1997, pp.2-3

⁵⁰ Ibid., p. 35

⁵¹ Ibid., p. 43

⁵² Interview with Richard Gauthier and Huw Williams, December 9, 1997

MacKay's brief emphasizes the lack of a level playing field, and the potential for banks to "skim the cream" of the market and abuse their market power:

1. They do not have, nor would they intend to have, substantial investment in automotive-related infrastructure.
2. No requirement to continually invest in equipment and training for servicing increasingly complex and high-tech automobiles. In other words, the banks want the easy part of the business...
3. Access to cheap money from deposits, while dealers must borrow and pay a premium.
4. The banks have access to my financial information.
5. They have access to my customers' financial information.
6. Various banks have my customers as their customers and would be in a position to exert pressure on those customers to do business with them.
7. Automobile dealers all require banking services to operate. Banks could use that requirement to influence a preferred price on a vehicle purchased from us to lease to what was previously our customer.⁵³

The O'Regan brief focuses on conflict of interest and the risk of tied selling:

This arrangement would place the banks in a conflict of interest situation in that they would become direct competitors of dealerships, while, at the same time, providing financial services to those dealerships, including operating line financing, mortgages, equipment loans, floor plan financing and wholesale leasing lines. At the same time, the situation would allow the banks an unfair advantage over dealerships and captive finance companies, due to the banks' lower cost of capital.

In addition to the above concerns, banks would be able to package automotive leasing with other financial services, effectively forcing their customers to lease a vehicle through the bank...The banks would also be in a position to deal directly with the manufacturers...This would leave consumers dealing solely with the banks and losing the extra value brought to the transaction by the dealer, due to his knowledge, expertise and flexibility. The benefits of a truly competitive marketplace provided by thousands of small independent dealers would be lost in the environment of a small number of large bureaucratic institutions.⁵⁴

Asset-Based Lenders

Members of the Canadian Finance and Leasing Association (CFLA) include players on both sides of the issue. The chartered banks are members, as are the captive finance companies, and independent leasing companies. The submission of the CFLA represents a majority consensus; i.e., that of the non-bank players.

⁵³ Presentation to the Task Force by Myron MacKay, Fair Isle Ford Sales, Charlottetown, PE, September 3, 1997.

⁵⁴ Submission Summary, Paul O'Regan and Stephen O'Regan, September 1997

The CFLA argues in its brief that “it is premature to proceed to expanding bank access to vehicle leasing.”⁵⁵ The principal theme underlying the Association’s objections is that of concentration of power in the Canadian financial services industry with the chartered banks, and the “safety net subsidy” enjoyed by the banks:

The large size and the small number of financial institutions in Canada and the resulting concentration in financial services is a direct legacy of a century of federal policy. The regulatory framework inherently limits and distorts competition in the marketplace. While the battle cry of “leveling the playing field” rarely seems to focus on the benefits enjoyed by regulated financial institutions, they constitute a real competitive advantage in the marketplace. Where such exclusive privileges or restrictions confer market advantages or benefits, or allow abuses, it is necessary for government to intervene to ensure that countervailing regulatory measures curb the distortions....Given the apparent impact of banks in other financial services sectors and the significant role they play in the vehicle industry today, it is premature to proceed to expand bank access to vehicle leasing.⁵⁶

The Association’s submission disputes the contention that banks will offer lower lease rates by virtue of eliminating the “middleman.” It cites a survey of randomly-selected Toronto-area bank branches commissioned in 1996. The survey revealed that interest rates on vehicle loans marketed by banks through dealers were substantially lower than those available at bank branches.⁵⁷

According to the CFLA document, there is not a demonstrable need for more competition in the leasing industry:

Currently, the vehicle leasing business is very competitive with a broad diversity of participants, with upwards of a dozen vehicle manufacturer finance companies, some 3,800 vehicle dealerships (of which it is estimated 37 percent maintain leasing portfolios independent of the manufacturer programs), about 12,000 used car dealers across Canada and several hundred small, medium and large-sized independent leasing companies.⁵⁸

It is argued in the submission that banks are indeed able to participate in the growing vehicle leasing industry through lease financing. A 1996 survey carried out jointly by the CFLA and CADA is cited; it found that banks provided financing for 57 percent of vehicle leases in Canada.

Canadian banks’ strong presence in lease and dealer financing raises fears of “market abuses such as exclusive dealing, refusal to deal, tied selling, market restriction, conflict of interest (between the bank financing a business customer and the bank as competitor of that business customer) and use of personal and business information.”⁵⁹ The submission expresses skepticism about the effectiveness of fair competition and privacy laws against such abuses.

⁵⁵ Canadian Finance & Leasing Association, *Choice: Financial Services into the 21st Century: A Submission to the Task Force on the Future of the Canadian Financial Services Sector*, October 31, 1997, p. 19

⁵⁶ Ibid., p. 30

⁵⁷ Ibid., pp. B6-B7

⁵⁸ Ibid., p. B7

⁵⁹ Ibid., p. B9

Once banks become competitors of businesses they finance, there is a direct conflict of interest. How can government effectively regulate credit denial as a competitive weapon? How is the squeeze of tied selling prevented? How are customer lists protected? Can any set of industry guidelines or government regulations realistically provide effective recourse and enforceable protection?

The issue of disruption of the market due to bank entry and exit is also raised. The record of Canadian banks in the heavy equipment leasing market is cited as an example:

In the 1970s, based on arguments for enhanced competition and borrower access to capital, the Bank Act was changed to permit banks into equipment leasing. Most banks rapidly acquired active leasing companies, but within a few years many left the business and the pool of capital available to the equipment leasing marketplace declined. Subsequently, it took some time for new companies to enter this market. Most were foreign-owned and, ironically, many entered the market by acquiring the equipment leasing portfolios of banks which had withdrawn from the business.⁶⁰

Captive Finance Companies

The position of the captive finance companies has been articulated through the submission of the Canadian Vehicle Manufacturers' Association (CVMA) and the Association of International Automobile Manufacturers of Canada (AIAMC).

It is argued in the submission that direct participation by banks in the automotive leasing market would be contrary to the financial sector policy objectives laid out in the Task Force's terms of reference for the following reasons:

- Bank entry would not enhance competition. Rather, it would distort and ultimately reduce competition, due to the bank's "safety net subsidy." Competition from the "subsidized" banks would force some dealers out of the leasing business, impair the ability of the captive finance companies to issue floor plans to small-market and higher-risk dealers. The banks would disrupt "the industrial synergies between dealers, finance companies and manufacturers...with negative implications for vehicle sales and production. This would lead to lost jobs and economic output."
- Banks lack the "sector-specific expertise required to assess the residual risk of vehicles and generate efficiencies in residual risk management." This is because automotive leasing is fundamentally a "non-bank activity." It involves management of credit risk, but also entails "owning a real asset, assuming residual risk and excess liability risk."
- The lack of experience with residual value risk could disrupt both the new vehicle and financial services markets. Residual losses could be offloaded onto the consumer through extended financing (it is claimed that this has been done by banks in the United States). They could place strains on the Canada Deposit Insurance Corporation (CDIC) and consequently cut off credit to higher-risk borrowers.

⁶⁰ Ibid., p. B8

- Participation in leasing would not, in itself, advance the cause of the international competitiveness of Canada's chartered banks, since the total asset value of the vehicle leasing market is equal to only a small percentage of the asset base of any of the Big Six players.⁶¹

Credit Unions

Credit Unions are provincially regulated. They are allowed to engage in leasing in all provinces. Many credit unions across the country do offer car and light truck leases, and Caisse Populaire DesJardins has become an aggressive competitor in the leasing market in Quebec. These may see themselves as being potentially affected by competition from banks. However, submissions to date from Credit Union Central of Canada have not dealt with the issue of bank participation in leasing. Officials of Credit Union Central were canvassed for their opinion on the issue, but none was offered.

Small Business Groups

CFIB members were surveyed on the issue on three occasions between 1976 and 1988. With each survey, the share of respondents opposing bank leasing grew from 49 percent in 1976 to 67 percent in 1980 and 73 percent in 1988.

Concerns among members and officials of the CFIB center on the general theme of concentration in the financial services industry. Oligopoly control of the Canadian banking system, the Federation has long argued, has limited the degree of choice in financial services available to small businesses. Bank entry into the insurance market has strengthened the Big Six banks' oligopoly control, and further extension of bank powers to encompass direct leasing would entrench it even more.

Senior officials of the Federation point, in particular, to the prospect of anti-competitive practices by the banks should they be allowed to engage directly in leasing, particularly tied selling and cross-subsidization. These tools would be used to establish complete market dominance. It is also feared that the "deep pockets" of the Big Six banks would allow them to obscure inefficiencies and poor planning decisions. Bank leasing entities could thus simultaneously command large market shares and lose large amounts of money. Subsequent decisions to cut losses and withdraw from the market could potentially disrupt the entire leasing infrastructure of the Canadian market, and further diminish the range of choices available to small businesses and consumers seeking to lease vehicles.

The view was also expressed that the leasing market in Canada is saturated. Bank entry could thus not enhance choice within the leasing market; it could only undermine existing players and ultimately diminish choice.

⁶¹ CVMA & AIAMC, *Submission to the Task Force on the Future of the Canadian Financial Services Sector*, October 1997, Executive Summary

CFIB officials repeated a common theme that U.S. experiences with bank leasing are not applicable to Canada, because of the fundamental differences in the structures of the two countries' banking systems. In the United States, with its regional banking system and thousands of chartered banks, leasing by banks does not raise the issue of concentration of economic power.⁶²

Consumer Groups

The Consumers' Association of Canada (CAC) has not issued a formal position on banks in vehicle leasing. The CAC has been on both sides of this issue. They have argued that to the degree banks would lower consumer costs and offer higher standard, they should be allowed to lease vehicles. However, in a letter to Frank Swedlove, Director of the Financial Services Division, Department of Finance, dated March 12, 1996, the Association expressed surprise at press reports that the pending White Paper on financial services was to recommend the lifting of restrictions against banks in automotive and consumer leasing. The CAC, the letter continued, had "the same concerns about concentration in the industry, tied selling, expertise of staff, and privacy issues as we raised about banks insurance."⁶³

When contacted in connection with this study, senior CAC representatives stated that articulation of the consumer viewpoint on this issue would be deferred to the Automobile Protection Association (APA).⁶⁴ The APA is the national association representing consumers within the automotive sector. They have taken a very proactive position on many of the issues of the day including leasing issues.

The APA sees no fundamental economic reason to exclude banks from leasing, though it feels that direct leasing by banks should be subject to certain regulations. In particular, the banks need to be prohibited from taking advantage of their concentrated purchasing power and buying directly from vehicle manufacturers (there is no North American precedent for this pattern; the car companies have thus far refused to consider bypassing dealers and selling directly to fleet buyers). Also, banks should be required to market their lease programs through dealers and not through bank branches.

Several of the principal stakeholder arguments against bank leasing are rejected by the APA:

- The additional risk burden placed on the CDIC by possible shortfalls in lease portfolio residual would be minimal compared to that generated by involvement in derivatives markets, loans to developing countries, and real estate.
- Conflicts of interest already exist in the automotive finance market. Banks issue consumer loans and are the primary source of capital to the captive finance arms, who also issue consumer loans. If the logic of the dealers and finance companies were applied to the entire

⁶² Interview with Catherine Swift, Brien Gray and Ted Malette, January 9, 1998

⁶³ Letter, Marnie McCall, Director of Policy Research, CAC, to Frank Swedlove

⁶⁴ Telephone interview with Marnie McCall, Director of Policy Research, CAC, December 1, 1997

automotive finance sector, then banks should be prohibited from participating in the consumer vehicle loan market.

- The issue of corporate concentration in the financial services sector is a legitimate concern. However, “the battle already has been lost” over the questions of bank entry into the insurance and securities sectors. To the extent that direct leasing by banks might extend the oligopoly control of the Big Six over the Canadian financial services industry, the implications can be addressed through regulation.
- Dealers have legitimate concerns about the long-term viability of their industry. However, dealer associations have misidentified the critical issues. The most substantial threats faced by Canadian dealers are 1) over-dealering, 2) the rise of alternate channels such as the Internet and brokers, and 3) Canadian franchise and antitrust legislation that allows vehicle manufacturers to prohibit dualing, 4) the lack of consumer protection in the selling process. APA research indicated that the selling process is “marked by incomplete information, deceptive practices and the occasional shining example of professionalism”, “the public is seriously mistaken if it trusts car dealers when it comes to a lease versus purchase decision”, “the industry’s promise clean-up of auto leasing has a long way to go.”⁶⁵

⁶⁵ Interview with George Iny, December 3, 1997

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Appendix D: Research reports provided by participants and correspondence

- i) Research on Vehicle Lease Data in Canada and the United States, prepared for The Canadian Banks Association by Vertex Consultants Inc., October 1997
- ii) Letter from CBA, December 18, 1997
- iii) Letter from CBA, January 21, 1997

VERTEX

*Research on Vehicle Lease Data
in Canada and the United States*

*for the
Canadian Bankers Association*

Prepared by
VERTEX CONSULTANTS INC.
October 1997

CONTENTS

A. KEY FINDINGS	1
1. Canadian leasing data based on Canadian new vehicle registration information, excluding heavy trucks of a gross vehicle weight greater than 33,000 lbs	2
2. A “snapshot” of the current relative competitiveness of loans and leases in Canada vs. the USA	3
B. METHODOLOGIES	5
1. Methodology used to compile the Canadian leasing data	6
2. Methodology used to determine a “snapshot” of the relative competitiveness of loans and leases in Canada vs. the USA	7
APPENDICES	11
I. Detailed findings on Canadian leasing data	
II. Detailed findings on the relative competitiveness of loans and leases in Canada vs. the USA	

A. KEY FINDINGS

1. Canadian leasing data based on Canadian new vehicle registration information, excluding heavy trucks of a gross vehicle weight greater than 33,000 lbs

	Year-to-Date July 1997		Full Year 1996	
	#	% of total registrations	#	% of total registrations
Source: Polk Canada Vehicle Information Services. Data is copyright of Polk Canada Vehicle Information Services, Toronto, Ontario				
Total new vehicle registrations	812,363	100%	1,162,781	100%
Total leased vehicles	352,128	43.3%	407,716	35.1%
	#	% of total leases	#	% of total leases
Manufacturers' Leases				
• GMAC Leaseco Ltd./Gen. Motors Ltd.	86,168	24.5%	90,305	22.1%
• Ford Credit/Ford Motor Co. Ltd.	71,010	20.2%	77,229	18.9%
• Chrysler Credit/Chrysler Canada Inc.	38,787	11.0%	43,235	10.6%
• Honda Finance Inc./Honda Inc	20,727	5.9%	21,226	5.2%
• Toyota Credit Inc./Toyota Inc..	18,885	5.4%	18,778	4.6%
• Mazda Credit Inc./Mazda Inc.	7,785	2.2%	8,940	2.2%
• Nissan Finance Inc./Nissan Inc.	6,446	1.8%	6,188	1.5%
• VW Credit Inc./VW Inc.	5,164	1.5%	7,443	1.8%
• Primus	2,444	0.7%	2,208	0.5%
• All others	5,590	1.6%	3,788	0.9%
Total Manufacturers' Leases	263,006	74.7%	279,340	68.5%
Commercial Company Leases				
• GE Capital Lsg. Inc.	10,037	2.9%	12,399	3.0%
• PH&H Inc.	5,147	1.5%	9,662	2.4%
• AT&T Capital Inc.	4,908	1.4%	5,113	1.3%
• BML Lsg. Ltd.	4,900	1.4%	5,133	1.3%
• ARI Canada Ltd.	1,752	0.5%	2,156	0.5%
• Transportaction Lease Systems	1,659	0.5%	2,248	0.6%
• 1009329 Ont. Ltd.	1,353	0.4%	1,912	0.5%
• Services de Financement Auto	1,091	0.3%	1,519	0.4%
• Amelco Lsg. Ltd.	939	0.3%	1,085	0.3%
• Grove Rental & Lsg. Ltd.	929	0.3%	980	0.2%
• Location Via Route Inc.	810	0.2%	1,003	0.2%
• Janad Corp.	763	0.2%	1,608	0.4%
• Commcorp Financial Services	677	0.2%	2,095	0.5%
• Somerville National Lsg.	635	0.2%	947	0.2%
• Cruise Inc.	632	0.2%	570	0.1%
• Lutex Lsg. Ltd.	599	0.2%	948	0.2%
• Phelps Lsg. Ltd.	524	0.1%	649	0.2%
• MKA Lsg. Ltd.	513	0.1%	631	0.2%
• Newcourt Credit Group Inc.	292	0.1%	1,510	0.4%
• All others	12,166	3.4%	19,092	4.7%
Total Commercial Company Leases	50,326	14.3%	71,260	17.5%
Total Dealer Leases	38,796	11.0%	57,116	14.0%

2. A "snapshot" of the current relative competitiveness of loans and leases in Canada vs. the USA

	Canada	USA	Variance: Canada compared to USA
Loans	(n=18)	(n=45)	
• Average interest rate	7.42%	8.41%	-0.99% pts
Leases	(n=16)	(n=41)	
• Average interest rate	9.42%	8.34%	+1.08%pts
• Average monthly payment as a % of net capitalized cost	1.79%	1.71%	+0.08%pts
• Average residual as a % of gross capitalized cost	56.77%	56.53%	+0.24%pts

Objectives

- Obtain a "snapshot" of the current relative competitiveness of loans and leases in Canada vs. the USA, by investigating the spread in car lease interest rates between Canada and the US, benchmarked against the spread in car loan interest rates between the two countries, for the same vehicles from the same dealers on the same day. This was done by:
 - contacting a sample of 3 dealers (one for each of the 3 domestic manufacturers--Ford, GM, and Chrysler) in each of 6 major urban centres across Canada and 20 major urban centres throughout the continental USA; and
 - asking each of these dealers for loan and lease quotes (given an A-1 credit rating), based on a consistent set of vehicle specs, loan specs, and lease specs.

Summary Findings

- Comparing equivalent auto loans in Canada and the US, the average of the quoted 3-year interest rates from the Canadian sample is **99 basis points lower** than the equivalent statistic from the US sample (7.42% in Canada compared to 8.41% in the US).

- Comparing equivalent auto leases in Canada and the US, the average of the interest rates built into the lease quotes from the Canadian sample is **108 basis points higher** than the equivalent statistic from the US sample (9.42% in Canada compared to 8.34% in the US).
- Further analyses were done to determine whether the lower US lease interest rates are an artifact of other, disadvantageous features of the US leases (ie, in residual value and monthly payment size). The conclusions from these analyses are that the US leases are equally or *more* appealing than the Canadian leases regarding both residual value and size of monthly payment. The US leases offered lower residual values (24 basis points lower, as measured by the residual value as a percentage of gross capitalized cost), and marginally more affordable payments (8 basis points, when measured as the monthly payment amount as a percentage of the net capital cost of the leased vehicle). Looking at all key lease aspects combined, therefore, the US leases offer better value.

Conclusions

- With the observed variability in this sample, we have a 95% level of confidence that, if over the same time period (September 19th to September 30th, 1997) we had surveyed all the GM, Ford, and Chrysler dealers in all the major urban centres in Canada and the continental US, we would have found a similar result; that is:
 - that the spread in car lease interest rates between Canada and the US was disadvantageous to Canadian consumers, benchmarked against the spread in car loan interest rates between Canada and the US, for the same vehicles from the same dealers on the same day.
- In closing, it's worth noting that the automobile retailing market does not appear to clearly present the financing costs of leasing. Many salespeople (and even financing staff) contacted in this research were unable to quote the accurate financing cost (expressed as an underlying interest rate or interest factor) associated with a proposed lease. In some cases, we were told that the interest rate information simply "*wasn't available*" or "*couldn't be quoted in that state*". It is our conclusion from this research that consumers in both Canada and the US, who do not understand the intricacies of leasing, would be very hard-pressed to make accurate financing-cost or interest-rate comparisons among different leases.

B. METHODOLOGIES

1. Methodology used to compile the Canadian leasing data

- Polk Canada's New Vehicle Registration Database (NVR) was used to compile the Canadian leasing data.
- NVR is a monthly registration database that itemizes the vehicles that are registered in a province for the first time.
- Polk Canada Vehicle Information Services receives data from the provinces on a monthly basis. The request to each province is for them to deliver first time registrations within their jurisdiction for the most current reporting period. Polk currently has all ten provinces plus the North West Territories supplying their data to it.
- Vehicle registrations within the accepted model year range are tracked each month. The acceptable range is from one year back to one year ahead of the current calendar year. Vehicles that are out of the model year range are rejected from the system, by reason of age of vehicle.
- All vehicle registrations within the acceptable model year range are also checked (using their vehicle identification number) to ensure they have never been registered in Canada before. Those that have been registered previously in Canada are deleted from the current month data.
- The data reported is not sales data, although NVR closely resembles sales data. Sales data is as reported by manufacturers; NVR data is as recorded by the provincial registrars. Polk does compare all monthly registration statistics to national level sales information from manufacturers. Polk states that the registration and sales data trend very closely together, and are monitored monthly.
- In compiling the leasing data in this report, Polk had two programmers verify the information.
- The registration and leasing data in this report includes fleet leases.
- The registration and leasing data in this report excludes any heavy trucks with a gross vehicle weight greater than 33,000 lbs.
- Polk notes that: As classifications are established by Polk Canada VIS and reviewed from time to time by vehicle manufacturers and based upon the registration pattern, company classifications may change. For example, Polk classified Primus as a Commercial Lease company until the end of 1996. In 1997, Polk changed the Primus coding to Manufacturer Lease.

2. Methodology used to determine a "snapshot" of the relative competitiveness of loans and leases in Canada vs. the USA

- Three new (1998) vehicle models were selected, one from each of Ford, GM, and Chrysler, along with a set of specs for each of these vehicles. The criteria for selecting these vehicle models were that each of the vehicles chosen:
 - must command fairly significant market share in Canada and the US, but not be one of the three top sellers;
 - be produced in Canada; and
 - not be currently subjected to loan or lease rate subventions by the financing arm of the manufacturer.

In Canada, a large number of 1998 Dodge models (including the Caravan) are currently being offered with a rebate or a subvented interest rate on all loans, and also on leases of up to 30 months duration. To correct for this in our research, for 3-year loans we asked for the best rate if we took the rebate (ie, we did not ask for the subvented rate).

- The vehicles, and vehicle specs, chosen were as follows.

Manufacturer	Model	Specs
Chrysler	1998 Dodge Caravan	24T package (6 cylinder engine, 7-passenger seating, automatic transmission, 1 or 2 sliding doors, A/C, AM/FM radio)
General Motors	1998 Chevrolet Lumina	Base model
Ford	1998 F150 Truck	XL package (6 cylinder, extended cab with 3 rd door, A/C, automatic transmission)

From city to city these specs varied somewhat, eg, in Minneapolis, because of their climate, they insisted on including a rear window defroster in the specs of the Caravan; in California, due to emission control laws, the engine specs on the Dodge Caravan were slightly different; etc.

VERTEX

- For the purposes of this research, a set of loan and lease specs were also established, which were as follows.

	<i>Term</i>	<i>Cash Downpayment</i>	<i>Customer Credit Rating</i>	<i>Other Specs</i>
Loan	36 months	\$1,000	A1	None
Lease specs	36 months	\$1,000	A1	Standard mileage/year lease package which, depending on the vehicle, was either 20,000 km/yr or 25,000 km/yr in Canada, and either 12,000 miles/yr or 15,000 miles/yr in the US

For leases, depending on the dealer, sometimes the quote we received had the \$1,000 downpayment being used to cover our up-front costs (eg, first payment, last payment or security deposit, license fee, etc.), with any remainder going towards a cap cost reduction, and sometimes being used totally as a cap cost reduction. These differences were taken into account in our analyses.

- Six major urban centres across Canada, and 20 throughout the continental US were initially selected for the research. The only change from the initial cities chosen, is that Indianapolis was substituted for Dallas. This was done when we discovered (through our dealer calls in Houston) that, due to the unfavourable tax situation on automobile leases in Texas, dealers want to sell balloon loans instead of leases (we couldn't get them to quote on a lease in Houston, as they said a balloon loan would be much more advantageous to us).

VERTEX

The 26 cities surveyed are as follows.

Canada	US	
Vancouver	Atlanta	Minneapolis
Calgary	Boston	New Orleans
Winnipeg	Chicago	New York
Toronto	Cincinnati	Philadelphia
Montreal	Denver	Phoenix
Halifax	Detroit	Pittsburgh
	Houston	San Francisco
	Indianapolis	Seattle
	Los Angeles	St. Louis
	Miami	Washington

- In each of these 26 cities, a Chevrolet dealer, a Dodge dealer, and a Ford dealer were selected at random from the yellow pages for that city.
- We called each of these dealerships, using a “mystery shopper” approach, enquiring about 3-year financing terms and costs on the selected vehicle, and the comparative costs of purchasing versus leasing. Our objective was to get the typical pricing that a customer (with an A1 credit rating) buying a car that day would receive.

In many cases, more than 3 dealerships in each city were contacted for the following reasons:

- the unwillingness of a given dealership to quote pricing and finance rates on the phone;
- dealer sales and/or finance people who were too time-constrained or otherwise unmotivated to take the time to give us the information we wanted over the phone; and/or
- dealer sales and/or finance people who gave us a “spiel” on leases that didn’t ring true, and made us suspect of their competence and/or ethics.

In many cases, we also spoke to more than one person at each of the dealerships contacted. This was because, in general, dealer salespeople knew vehicle model list prices, but were less sure of financing rates and methodologies, and dealer finance people were the reverse.

- In conducting the analyses on the information obtained, we first used an industry-standard model to test the internal consistency of the detailed leasing information we received.

This model is as follows:

- total monthly lease payment = monthly depreciation fee + monthly lease fee
- monthly depreciation fee = (capitalized cost - capitalized cost reduction - residual value)/lease term
- monthly lease fee =[(capitalized cost - capitalized cost reduction + residual value)/2] x interest rate/12

Using this model, we identified numerous inconsistencies in the leasing data. We made call-backs to each dealership where we found these inconsistencies, in an attempt to reconcile the data. In many cases we were successful, finding that the dealership personnel had either made errors in their computations or that there were additional costs which they had not mentioned, eg, adding a financing acquisition fee and/or service charge to the capitalized cost they had quoted us. In many other instances, we were not able to reconcile the data given to us---generally because the dealership personnel were unwilling to take time to discuss rate information further with us without firming up the prospect of a sale.

- Some of the dealership personnel we contacted promised to get back to us with the information we sought, but never did, despite repeated promises on their part and phone calls on our part.
- At the end of the process, we successfully gathered rate information on 16 leases in Canada and 41 in the US, and on 18 loans in Canada and 45 in the US.
- Interest rates were tabulated and compared, for loans and leases in Canada versus those in the US. One-tailed *t*-tests were performed, to calculate the statistical significance of the observed differences.

APPENDICES

APPENDIX I
DETAILED FINDINGS ON CANADIAN LEASING DATA

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
CL		0	71
CL	A&M LSG LTD	12	3
CL	A LAMOTHE INC	1	0
CL	A POTVIN LSG LTD	2	1
CL	AT&T CAPITAL INC	5113	4908
CL	ACE AUTO LSG LTD	468	279
CL	ADVENTURE WEST HOLDINGS LTD	1	0
CL	AFRIQUE ENT LTD	13	6
CL	AKLOG LSG LTD	7	0
CL	AL PREMJI ENT LTD	27	17
CL	ALL MAKE OWNER LEASE LTD	48	45
CL	AMELCO LSG LTD	1085	939
CL	AMERICAN LEASE CORP	6	3
CL	ANGEL AUTO LSG LTD	3	0
CL	APPLE HILL LSG LTD	0	1
CL	APPLE VALLEY LSG LTD	227	323
CL	ARI CANADA LTD	2156	1752
CL	ASSOC COMMERCIAL CORP	31	102
CL	ASSOC LSG INC	195	91
CL	AUTO LSG INC	191	169
CL	AUTOLAND NATIONAL LSG LTD	32	12
CL	AUTOWAY LSG INC	34	28
CL	AVALON LSG LTD	1	0
CL	ABBA LEASE RENTALS LTD	43	11
CL	ALBEY GARBE LSG CORP	18	0
CL	ALLSTATE LSG INC	1	1
CL	ARCO TRUCK LEASE LTD	1	0
CL	AUTO WORLD LSG LTD	1	1
CL	A&E FINANCIAL LSG & RENTAL	70	5
CL	ALLAN JENKINS RENTAL & LSG	0	1
CL	AFFINITY RENTALS & LSG LTD	1	0
CL	AHEAD LSG LTD	25	1
CL	ADDIE LSG LTD	18	36
CL	ALBY GARBE LSG CORP	46	38
CL	AMERICAN PACIFIC LSG	5	0
CL	AABCOR LSG	15	0
CL	ARROWSMOTH SALES & LSG	3	0
CL	ADMIRAL LSG INC	2	0
CL	AMLECO LEASING LTD	2	0
CL	ARBTUTUS LSG LTD	1	0
CL	ASSIST FINANCING LSG INC	2	1
CL	AUSROW LSG LTD	2	0
CL	ALL ISLAND CAR LSG CORP	1	0
CL	ACCESS LSG CORP	0	76
CL	A R WILLIAMS LSG LTD	0	1
CL	ALTA LSG	0	5
CL	AAA ALL VEHICLE LSG & RENTALS	1	0
CL	AGRIFINANCE	3	0
CL	BBGM LSG LTD	15	11
CL	BLM LSG INC	11	2
CL	BMF LSG INC	11	6
CL	BML LSG LTD	5133	4900
CL	BALLANTYNE LSG LTD	4	3
CL	BANK OF NS LSG	12	1
CL	LAURENTIAN BANK LSG	16	13
CL	BAYMAR LSG LTD	22	14
CL	BENEFIT LSG CORP	13	0
CL	BENLEA LSG LTD	1	1
CL	BOBELL TRUCKING LTD	1	1
CL	BOLANDS LTD	9	5
CL	BORDIE FLEET & LSG LTD	0	1
CL	BOYCHUK LSG INC	2	2
CL	BRAMARD INVESTMENTS LTD	185	130
CL	BRAMPTON LSG & RENTALS LTD	147	138
CL	BRANLINE LSG INC	1	0
CL	BRENAUL PATTAM LSG INC	1	0
CL	BUDD BROS HOLDING CO	72	46
CL	BUMSTEAD TRUCKING LTD	1	0
CL	BURNES LSG LTD	1	0

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
CL	BUSH & COOK LSG LTD	7	3
CL	BISON LSG LTD	1	0
CL	BULLDOG LSG INC	0	4
CL	B E LSG LTD	1	0
CL	BARRINGTON LSG	63	0
CL	BUSH LSG LTD	73	55
CL	BBG LSG LTD	1	1
CL	BMC LSG LTD	1	0
CL	BMS LSG LTD	1	0
CL	BOSS LSG LTD	2	1
CL	BPI RENTAL & LSG INC	1	0
CL	B DEWAR HOLDINGS LTD	0	1
CL	BOB CURRIE AUTO LSG INC	73	1
CL	BODKIN LSG LTD	15	37
CL	C&E LSG LTD	14	14
CL	C E SARGENT & SON LTD	6	0
CL	CIBC LSG LTD	21	8
CL	CWL AUTO LEASE INC	2	1
CL	CALGARY AUTOLEASE LTD	28	31
CL	CALMONT LSG LTD	279	294
CL	CAMBRIDGE LEASEHOLDS LTD	1	1
CL	CANADA LSG INC	19	4
CL	CANADIAN LEASE MGMT LTD	17	0
CL	CANADIAN NATIONAL LSG INC	6	0
CL	CANSTEM LSG SERVICES INC	19	8
CL	CAR SOURCE LSG SYSTEMS INC	124	83
CL	CARALYSE FINANCIAL SERVICES LT	12	0
CL	CARDEL LSG LTD	85	48
CL	CARDI HOLDINGS LTD	89	67
CL	CARNIVAL NATIONAL LSG LTD	318	194
CL	CARRUS LSG LTD	72	89
CL	CASSANDRA LSG & RENTAL INC	50	11
CL	CHANCELLOR LSG LTD	13	0
CL	CITY RENTAL & LSG LTD	1	0
CL	BOMBARDIER CREDIT INC	6	5
CL	COMPAGNIE DE LOCATION DE FLOTT	6	1
CL	CONNOISSEUR LSG INC	1	0
CL	CROSS CANADA CAR LSG INC	716	397
CL	CRUISE INC	570	632
CL	CUMIS SERVICES LTD	16	0
CL	CUSTOM LEASE CAPITAL INC	169	112
CL	COMMCORP FINANCIAL SERVICES	2095	677
CL	C&L LSG LTD	7	6
CL	CENTRE DE LOCATION R LANGLOIS	1	0
CL	COMMONWEALTH LSG LTD	1	0
CL	CORPORATE PARTNERS LSG	1	0
CL	COSMOPOLITAN VEHICLE LSG	34	8
CL	CREDIT BAIL FINDEQ INC	2	1
CL	C&R CHAN AUTO LEASE	1	0
CL	CRYSTAL KEY LSG & SALES LTD	2	0
CL	CALGARY NATIONAL LSG LTD	1	0
CL	CROCKETT AUTOMOTIVE LSG LTD	116	51
CL	C&R LSG CORP	20	10
CL	CAR LSG AB LTD	2	0
CL	CCS LSG CORP	4	0
CL	CHANDLER K T LSG LTD	1	0
CL	CLAIREVILLE LSG CORP	1	0
CL	CAN CITY AUTO LSG LTD	1	0
CL	C R LSG CORP	0	1
CL	CAMROSE LSG LTD	0	1
CL	CREDIT BAIL LES ASSOC	0	3
CL	COMMERCIAL CREDIT LTD	2	0
CL	CAMERON BIMM LSG LTD	4	2
CL	CANADA WIDE AUTO LSG	10	10
CL	CLAIRVIEW LSG CO LTD	296	233
CL	D B HOLDING LTD	105	36
CL	DBZ HOLDINGS LTD	11	6
CL	D C LSG LTD	1	0
CL	D M LSG LTD	2	1

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
CL	DANA COMMERCIAL CREDIT	3	2
CL	DAYÉ NATIONAL FLEET SYSTEM INC	16	14
CL	DEL LSG LTD	1	1
CL	DON BODKIN LSG LTD	253	271
CL	DONLEN LSG CORP	50	27
CL	DUNFORD LSG INC	4	0
CL	DUPORT LSG LTD	411	267
CL	D&E AUTO LSG	4	11
CL	DESITE LSG CO LTD	0	1
CL	DIAMOND IDEALEASE	2	1
CL	DML LSG LTD	1	0
CL	DSM LSG LTD	0	2
CL	DUGDALE LSG CORP	1	0
CL	DUNLOP LSG LTD	0	2
CL	DENHAM LSG	12	4
CL	DOUG DUNLOP LSG LTD	45	69
CL	DIPLOMAT LSG & RENTAL INC	2	0
CL	DAN SKINNER LSG LTD	3	3
CL	EDS LSG LTD	3	0
CL	EAST METRO AUTO LSG	5	5
CL	ENT AUTO LSG & SALE	1	1
CL	EQUITY LSG CO LTD	0	2
CL	EXECULEASE	1	0
CL	EXECUTIVE AUTO LSG LTD	34	10
CL	ENT DE LOCATION CHALEXI	10	5
CL	EMKAY LSG CORP	40	42
CL	ETM LSG INC	62	52
CL	ESSENTIEL LOCATION D AUTOS INC	145	93
CL	F&F HOLDINGS LTD	211	118
CL	FAMILY TRUSTCO LSG LTD	1	0
CL	FAROOQ U DRIVE LTD	0	1
CL	FELLVIEW LSG LTD	65	34
CL	FIRST MUNICIPAL LSG CORP	1	2
CL	FIRST RATE AUTO LSG INC	43	15
CL	FLEXILEASE INC	0	1
CL	FORMULA AUTO LSG LTD	0	28
CL	FORTUNA ENT LTD	187	121
CL	F P LSG LTD	1	0
CL	FREEPORT LSG LTD	1	0
CL	FEDERAL VEHICLE LSG INC	4	0
CL	FRANKLIN EQUITY LSG CO	209	45
CL	FENDERS LSG & AUTO SALE	3	0
CL	FLEETLINE LSG LTD	1	0
CL	FOUR WHEEL LSG INC	40	12
CL	FREEDOM LSG LTD	51	7
CL	FIRMVEST LSG CORP	4	0
CL	FORBES LSG LTD	25	137
CL	FELCO AUTOLEASE LTD	4	1
CL	FLO MOR CAPITAL LSG LTD	1	0
CL	FIVE TEN AUTO LSG LTD	22	58
CL	G E CAPITAL LSG INC	12399	10037
CL	GLS LEASCO INC	5	8
CL	GEORGE DAVEY LSG LTD	8	5
CL	TRACMOUNT/GLO JACK LSG LTD	240	158
CL	GORHAM STREET LSG LTD	1	0
CL	GRANDE NATIONAL LSG INC	28	19
CL	GRANDE PRAIRIE AUTO LSG	5	1
CL	GREAT WEST TRUCK LEASE & RENTA	4	8
CL	GROVE RENTAL & LSG LTD	980	929
CL	GRASCAN LSG CORP	1	3
CL	GLEN LSG & RENTALS LTD	0	1
CL	G&H LSG LTD	0	12
CL	GCMC HOLDING CO LTD	4	1
CL	GEN AUTO LSG INC	1	0
CL	GOHIER LOCATION AUTO	2	0
CL	GLENN GARAGE & LSG LTD	1	0
CL	GOLLEASE LTD	100	77
CL	H A MCLEAN LSG INC	257	125
CL	H J ELLIOT LTD	20	11

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
CL	HVL LTD	75	55
CL	HACIENDA LSG INC	15	30
CL	HARTFIELD CHIEFTAIN LSG LTD	3	1
CL	HARTLEY LSG LTD	116	57
CL	HAV A KAR LSG LTD	236	121
CL	HENDRIE NATIONALEASE INC	3	0
CL	HITACHI CREDIT INC	41	12
CL	HOJ NATIONAL LSG	12	1
CL	HONGKONG BANK LSG	1	0
CL	H K LSG INC	8	15
CL	HACKETT LSG LTD	0	1
CL	HARBOURVIEW FLEET & LSG	10	6
CL	HIGHLAND NATIONAL LSG	2	1
CL	HCFI LEASE	17	2
CL	H M REVELL LSG LTD	1	0
CL	IDEALEASE LTD	6	7
CL	INTER AMERICA LSG INC	2	2
CL	INTER FAST LSG LTD	1	6
CL	INDEPENDENT LSG	0	1
CL	INTER LEASE INC	2	1
CL	ISTRIA AUTO LSG INC	13	2
CL	INITIAL LSG LTD	1	0
CL	INPROTECT SYSTEMS INC	0	1
CL	JDC LSG LTD	5	45
CL	JACON LSG LTD	4	2
CL	JAMES CAMPBELL SERVICES LTD	16	8
CL	JANAD CORP	1608	763
CL	JAPAN AUTO LSG INC	25	4
CL	JIM WILLIAMS LSG LTD	27	13
CL	JULKRIS LSG INC	1	0
CL	JASBRO TRUCK LSG	2	0
CL	JIM PEPLINSKI AUTO LSG LTD	741	675
CL	JIMSA LSG LTD	4	2
CL	JAMES LSG LTD	2	3
CL	JASON LSG LTD	1	0
CL	JGS LSG INC	3	2
CL	JADE CAR & TRUCK LSG	0	27
CL	LOCATION LAUZON AMOS INC	1	0
CL	KCC LSG LTD	58	46
CL	K J LSG CO	1	0
CL	KAMSEL AUTO LSG INC	6	1
CL	KEY LEASE LTD	148	102
CL	KIM TAM TRUCK LSG LTD	36	13
CL	KRISKA HOLDINGS LTD	1	0
CL	KINNEAR LSG LTD	1	0
CL	KUSTER ENT LTD	5	0
CL	KOHOTO LSG	1	0
CL	KEYMAC LSG LTD	0	1
CL	KCW AUTO LSG INC	16	7
CL	L&J LSG LTD	0	1
CL	LRM CENTRE DE LOCATION INC	2	0
CL	LABTRONICS LSG LTD	25	1
CL	LAREDO LSG LTD	4	6
CL	LAVIOLETTE AUTO LOCATION INC	381	321
CL	LEASE BUSTERS INC	9	2
CL	LEASE CHECK LTD	24	23
CL	LEASE IT LTD	41	26
CL	LEASE WELL INC	61	43
CL	LEASE WIN LTD	324	190
CL	LSG UNLTD INC	15	11
CL	LES AGENCES KYOTO LOCATION	58	36
CL	LES AUTOBUS BAILLARGEON	0	1
CL	LES ENT GIRARDIN INC	2	1
CL	LESAL HOLDINGS LTD	35	23
CL	LET LSG LTD	1	2
CL	LOANE LSG LTD	0	1
CL	LOCATION AUBE LTEE	71	49
CL	LOCATION AUTO EXPRESS ENR	47	27
CL	LOCATION B M INC	2	0

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
CL	LOCATION BLAIS INC	3	2
CL	LOCATION BROSSARD INC	11	85
CL	LOCATION C D INC	22	0
CL	LOCATION CHAMBERLAND INC	3	2
CL	LOCATION CLAIREVIEW INC	9	16
CL	LOCATION D AUTO LACOLLE INC	106	53
CL	LOCATION D AUTOS COROSSOL INC	36	13
CL	LOCATION D AUTOS HAUTERIVE LTE	5	2
CL	LOCATION D AUTOS JO NO INC	194	151
CL	LOCATION D OUTILS BROSSARD INC	2	2
CL	LOCATION D M G INC	1	0
CL	LOCATION DE CAMIONS EUREKA INC	3	4
CL	LOCATION DU COTEAU INC	13	4
CL	LOCATION DU CUIVRE LTEE	247	146
CL	LOCATION ELMAR LTEE	3	1
CL	LOCATION GASTON NADEAU INC	4	0
CL	LOCATION GERVAIS INC	2	0
CL	HOLAND LSG LTD	244	163
CL	LOCATION JEAN GAGNE LTEE	23	13
CL	LOCATION JEAN LEGARE LTEE	39	37
CL	LOCATION L B S INC	4	3
CL	LOCATION LEBLANC INC	2	1
CL	LOCATION MARTINEAU INC	1	0
CL	LOCATION MONT LAURIER INC	2	0
CL	LOCATION M S F INC	0	3
CL	LOCATION NOMA INC	11	6
CL	LOCATION NOVY INC	2	0
CL	LOCATION OUELLET ET FRERES INC	1	0
CL	LOCATION PAUL GIRARD INC	20	16
CL	LOCATION PINARD INC	16	3
CL	LOCATION ROBERT LTEE	1	0
CL	LOCATION ROYALE COMPAGNIE LTEE	53	16
CL	LOCATION TRAJET INC	49	43
CL	161	85
CL	LOCKHART LSG LTD	0	1
CL	LORENCE LSG S & MGMT	4	0
CL	LUMPY AUTO LSG INC	24	14
CL	LUTEX LSG LTD	948	599
CL	LEASE WEST FINANCIAL CORP	3	0
CL	LA FINANCIERÉ COOPERANTS CREDI	1	0
CL	LARRY J FLEET SERVICES LTD	1	0
CL	LEASE 2000 INC	24	8
CL	LEASEWAY AUTO LSG INC	27	16
CL	LSG ASSOC INC	0	1
CL	0	1
CL	LES ENT LSG CHICAG	0	1
CL	LES LOCATIONS D AUTO CARTIER	7	1
CL	LES LOCATIONS RAINVILLE INC	1	1
CL	LIONS GATE LSG LTD	3	0
CL	LOCASE INC	1	0
CL	LOCATION A B D M INC	1	0
CL	LOCATION A C B INC	20	8
CL	LOCATION A P INC	0	15
CL	LOCATION ASSELIN INC	2	1
CL	LOCATION AUTO F J A ENR	1	1
CL	LOCATION B ALLARD INC	1	0
CL	LOCATION BUSH & COOK LTEE LTD	0	1
CL	LOCATION CLAUPIER INC	1	0
CL	LOCATION D AUTO CAPITAL INC	9	0
CL	LOCATION D AUTO D ALESSIO INC	5	0
CL	LOCATION D AUTO NATIONALE INC	1	0
CL	LOCATION D AUTO CARROLL INC	6	1
CL	LOCATION DE VEHICULES NADEAU	17	3
CL	LOCATION EMPRESS INC	19	46
CL	LOCATION EXPO INC	2	0
CL	LOCATION JOHN SCOTTI INC	7	1
CL	LOCATION M V L LTEE	4	1
CL	LOCATION MARC AURELE INC	4	0
CL	LOCATION P N TRUCHON INC	1	0

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
CL	LOCATION PLESSIS INC	24	17
CL	LOCATION TORMONT LTEE	2	0
CL	LOCATION D AUTOS MARCEL VILLE	20	15
CL	LOCATION W MARTIN LTEE	2	1
CL	LAWNVIEW LSG & SALES LTD	1	0
CL	LCH LSG INC	7	0
CL	LEASE LTD	1	0
CL	LOCATION ACTION RENTAL INC	1	0
CL	LOCATION COTE SUD INC	2	3
CL	LYMPLY LSG LTD	1	0
CL	LOCATION EXPRESS ENRG	3	0
CL	LOCATION D AUTOS B C INC	53	130
CL	LOCATION DE FLOTTES DONLEN LTE	9	5
CL	LOCATION ROBANDHO INC	14	5
CL	LAWTON LSG LTD	19	27
CL	LOCATION MONTCEUF INC	3	1
CL	LEGENDS CAR LSG CO INC	2	1
CL	LIONS CAR & TRUCK LSG	1	0
CL	LOCATION D AUTOS BEAUDOIN INC	1	0
CL	LOCATION D OUTILLAGE S M L IN	1	0
CL	LOCATION DE L ESTRIE INC	4	0
CL	LOCATION IDEAL C H LTEE	1	0
CL	LOCATION KATPAT INC	2	0
CL	LOCATION LENNOXVILLE INC	1	0
CL	LOCATION MIKE ALBERT INC	1	0
CL	LOCATIONS D AUTOS MONT ROYAL I	2	7
CL	LOURON LSG LTD	1	1
CL	LOCATION GOLDCAR INC	4	4
CL	LOCATION RAYBEC INC	3	26
CL	LA ROSE AUTO BROKERS & LSG	1	0
CL	LOCATION D AUTO S L	0	1
CL	LOMILE MOTORS & LSG	0	1
CL	LUXEMBOURG LSG INC	0	1
CL	LOCATION CHARBONNEAU INC	0	1
CL	LSG FORUM INC	0	1
CL	LEASE FUNDING CORP	0	1
CL	LES LOCATIONS SAVOIE INC	1	1
CL	LKS KAR KING AUTO LSG LTD	1	0
CL	LOCATION D AUTO F P LTEE	2	0
CL	LOCATION DE VEHICULES L V LAP	3	0
CL	LOCATION GEN M E D INC	3	3
CL	LOCATION JEAN MILLER INC	1	0
CL	LOCATION MIRABEL INC	1	0
CL	LOCATION N ROSA INC	3	0
CL	LOCATION T H M C D INC	0	1
CL	LAVAL FLEET LSG LTD	6	2
CL	LIBERTY LSG INC	20	20
CL	LOCATION GARAGE LAGUE LTEE	1	1
CL	LOCATION HEBERT 2000 LTEE	44	25
CL	LOCATION LALONDE	65	67
CL	LOCATION LOMONT INC	5	10
CL	LOCATION SINCLAIR INC	2	0
CL	MISON LTD	52	19
CL	MAC & MAC LSG LTD	1	0
CL	MASTER DALE INVESTMENTS INC	135	27
CL	MCM LSG LTD	14	22
CL	MERIT TRUCK & TRAILER LSG	7	6
CL	MICHAEL AUTO LSG LTD	17	9
CL	MIDLAND HOLDINGS & LSG LTD	1	0
CL	MIKE ALBERT LSG INC	18	25
CL	MIRAMAR INVESTMENTS LTD	3	0
CL	MISSISSAUGA U DRIVE INC	46	3
CL	MLT LSG LTD	1	0
CL	MTC LSG INC	4	0
CL	MULTI LINE LSG INC	113	51
CL	MUNICIPAL SAVINGS & LOAN CO	364	0
CL	MSPB INVESTMENTS LTD	2	4
CL	MOFFATT & POWELL LSG LTD	1	3
CL	M C LSG LTD	78	2

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
CL	MANU TRUST NATIONAL LSG LTD	1	0
CL	MAPLE GROVE LSG INC	2	1
CL	MCD LSG LTD	1	12
CL	METROCAN HOLDINGS LTD	13	4
CL	MKA LSG LTD	631	513
CL	METRO LSG LTD	1	0
CL	MVL LSG LTD	52	43
CL	MAU LSG LTD	4	0
CL	MARKHAM AUTO LSG INC	2	10
CL	M S FLEET LSG	1	0
CL	MCB LSG INC	1	0
CL	MONDAVI LSG LTD	1	0
CL	MPB LSG	1	0
CL	MTP AUTO LSG & SERVICES	1	0
CL	MUSSALEEM AUTO LEASE LTD	1	0
CL	MAINSTAY LSG INC	0	1
CL	MKH VENTURES INC	40	14
CL	MM LSG INC	4	0
CL	MODERN CONCEPT AUTO LEASE	2	0
CL	NAGLE LSG & RENTALS	2	3
CL	NALCO LSG INC	0	1
CL	NATIONAL LSG CO LTD	42	16
CL	NIMBUS LSG LTD	1	1
CL	NOLICAM LOCATION DE CAMIONS	4	3
CL	NOR MAR TRUCK & EQUIPMENT LTD	11	4
CL	NORANDA LSG LTD	161	119
CL	NORCAN LSG LTD	56	31
CL	NOVA LSG LTD	5	0
CL	NVL LSG INC	44	2
CL	NORTHWEST TRUST LSG	1	0
CL	NEWCOURT CREDIT GROUP INC	1510	292
CL	NATIONAL BANK LSG INC	2	1
CL	NICKERSON FLEET MGMT CORP	5	1
CL	NORPAC LSG LTD	1	0
CL	NORTH CENTRAL MOTOR LEASE	161	176
CL	NOBRA LSG INC	2	0
CL	NSB AUTO LSG LTD	3	0
CL	NSB AUTO LSG LTD	2	0
CL	NEXT TO NEW LTD	0	1
CL	NORTHERN REGION LSG	0	1
CL	N VANROBOYS LSG LTD	0	1
CL	NIC LSG LTD	2	1
CL	OMEGA LSG LTD	256	155
CL	OTTO LSG LTD	74	0
CL	OAKVIEW CAR & TRUCK LSG LTD	11	18
CL	OFF LEASE MOTOR CAR INC	1	0
CL	O&L LSG LTD	1	0
CL	OLYMPIC CAR & TRUCK LSG LTD	3	0
CL	ONLINE FINANCE & LSG	9	4
CL	OTO LOCATION ENR	92	89
CL	P C LSG LTD	1	1
CL	PARIMAR LSG INC	5	3
CL	PHELPS LSG LTD	649	524
CL	PIECES D AUTO AT PAC INC	1	3
CL	PONOKA RENTAL & LSG INC	1	0
CL	PORTMAR HOLDINGS LSG LTD	6	2
CL	PROQUIP LSG LTD	1	0
CL	PROVALCO LOCATIONS INC	19	0
CL	PH&H INC	9662	5147
CL	PJN LSG LTD	1	1
CL	PRO LEASE INC	11	3
CL	PROV LSG INC	10	2
CL	PROSPERITY FINANCIAL LTD	122	16
CL	PEREGRINE LSG INC	1	0
CL	PENSKE TRUCK LSG INC	46	65
CL	PROTEK LSG & RENTALS	2	0
CL	PRIME AUTO SALES & LSG	0	24
CL	PAM LSG LTD	1	2
CL	PENN LEASE CORP	1	0

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
CL	PROMISE AUTOMOTIVE FINANCIAL	1	0
CL	PRESTIGE AUTO LSG LTD	7	1
CL	PRIMUS AUTOMOTIVE FINANCIAL	2208	0
CL	PAUL DONLAM INVESTMENTS LSG	35	22
CL	PANDA LSG LTD	33	2
CL	PRÉMIER TRUCK LSG	1	0
CL	PRUDENTIAL LEASE FUNDING INC	16	19
CL	QUINTEVUE LSG INC	3	1
CL	R&S LSG LTD	1	1
CL	RAB LSG	2	2
CL	RED D'ARC LSG LTD	3	3
CL	RIO VISTA LSG LTD	15	5
CL	RITEWAY AUTO LSG LTD	35	13
CL	ROCKY MOUNTAIN LSG LTD	9	4
CL	ROMAD LSG INC	2	0
CL	ROSEBURKE MGMT SERVICES	2	0
CL	ROSSLYN LSG LTD	4	2
CL	ROYAL BANK LSG INC	16	3
CL	ROTER CAR LSG LTD	2	2
CL	REMA LSG LTD	2	0
CL	REPENTIGNY AUTO LOCATION INC	1	1
CL	ROYAL PACIFIC LEASE CORP	69	60
CL	RONAX LSG INC	7	0
CL	RAYLYNN TRUCK LSG INC	0	1
CL	RJR LSG INC	0	2
CL	RED CARPET LEASE LTD	0	1
CL	RED LION LSG LTD	4	2
CL	REDASH LSG CO	2	2
CL	REDCO AUTO CREDIT LTD	4	0
CL	SCR TRUCK & EQPMT LSG	5	2
CL	SAINT EUSTACHE AUTO LOCATION	406	316
CL	SCOTIA LSG LTD	2	0
CL	SEAWEST FINANCIAL CORP	1	0
CL	SERVICE DE LOCATION D AUTOS CH	2	0
CL	SHOWROOM AUTO LEASE INC	31	17
CL	SOLO AUTO LSG LTD	29	18
CL	SOMERVILLE NATIONAL LSG	947	635
CL	SOUTHERN LSG LTD	1	2
CL	SUPERIOR ACCEPTANCE CORP LTD	4	0
CL	SERVICES DE FINANCEMENT AUTO	1519	1091
CL	STAR NATIONALEASE LTD	0	1
CL	SAVE ON LSG	1	0
CL	STILLVIEW LSG INC	5	0
CL	SILVER STAR LSG	6	1
CL	SOUTHPAW LSG INC	3	0
CL	SCR LSG LTD	4	7
CL	SANPER LSG LTD	1	0
CL	SECOND LSG LTD	2	0
CL	SANDFORD SALES & LSG INC	0	1
CL	SEACOAST LSG LTD	132	109
CL	SUREMAC LSG	0	2
CL	TANTEND NATIONALEASE LTD	22	4
CL	TELECOM LSG LTD	13	44
CL	TERRY CAIN LSG INC	16	7
CL	HAWMAN BROS LSG CORP LTD	44	25
CL	TIGERTOWN LSG LTD	100	46
CL	TINNEY AUTO LSG LTD	9	4
CL	TMC LSG LTD	27	36
CL	TODAYS NATIONAL LSG LTD	1	0
CL	TORONTO DOMINION LSG LTD	3	2
CL	TOTAL TRANSPORTATION LSG	28	5
CL	TRANS CANADA CREDIT CORP	12	30
CL	TRANSAMERICA COMMERCIAL FINANC	0	3
CL	TRANSMONDE LOCATION	5	1
CL	TRANSACTION LEASE SYSTEMS	2248	1659
CL	TRI W LSG LTD	44	17
CL	TRIAD LSG CO LTD	8	0
CL	TRIATHLON VEHICLE LSG INC	8	5
CL	TRIPLE L AUTO LSG LTD	2	0

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
CL	TROIS RIVIERES LOCATION INC	0	1
CL	TUCKAHOE LSG INC	6	0
CL	TUFFIN HOLDINGS LTD	3	1
CL	T C LSG LTD	1	0
CL	THAICO AUTO SALES & LSG	183	143
CL	LSG FORMULA LTD	59	31
CL	MUNICIPAL FINANCIAL LSG CO	498	0
CL	TELENET VEHICLE LSG INC	6	0
CL	TRAIL CON LSG INC	1	0
CL	TERM FLEX LSG INC	0	1
CL	THRASHER SALES & LSG LTD	21	14
CL	TRANS FINANCE CORP	1	0
CL	TRIUMPH LSG CORP	1	0
CL	TRANSACTION LEASE CO	0	1
CL	TAE LSG LTD	0	3
CL	TITAN LSG LTD	0	2
CL	TAYLOR MADE AUTO CREDIT INC	0	1
CL	TAILOR MADE AUTO CREDIT INC	73	82
CL	TALLMAN IDEALEASE LTD	24	7
CL	TRI CITY LSG LTD	0	1
CL	U S FLEET LSG INC	120	15
CL	UNIVAN LSG LTD	30	28
CL	UNITED LSG INC	102	163
CL	VELCOR LSG CORP	5	1
CL	VENICE AUTO LSG INC	138	54
CL	VERSATILE LSG INC	7	17
CL	LOCATION VIA ROUTE INC	1003	810
CL	VIAU AUTO LOCATION LTEE	131	66
CL	VIATREND LSG	3	0
CL	VENTURE PACIFIC LEASE CORP	0	11
CL	VOLLETT TRUCK LINES & LSG	0	1
CL	W&R LEASE RIGHT LTD	1	1
CL	WEST CAN LSG LTD	36	22
CL	WHEELING WORLD LTD	23	22
CL	WILL KEN LSG LTD	1	0
CL	WINTER LOCATION INC	16	12
CL	W S LSG	14	33
CL	WELDEQUIP LSG & RENTALS	1	1
CL	WESTMAR LSG INC	0	1
CL	WESTWARD LSG LTD	3	1
CL	WHITECOURT LSG INC	0	1
CL	WHA LSG CORP	1	0
CL	WESTMOUNT LSG	1	0
CL	WARNER AUTO LSG	1	0
CL	WRAND FINANCIAL SERVICES LTD	5	10
CL	YELLOWHEAD AUTO LSG LTD	37	65
CL	YONGE LSG & RENTALS	1	0
CL	10067 NF LTD	50	15
CL	103212 BC LTD	5	1
CL	149445 CANADA INC	115	50
CL	166606 CANADA INC	411	81
CL	1ST CLASS LSG INC	83	1
CL	2169304 MB LTD	1	0
CL	2631 6935 QUEBEC INC	332	0
CL	2730286 CANADA INC	1	0
CL	334513 ONT LTD	93	19
CL	4 B AFFORDABLE LSG	2	0
CL	400411 ONT INC	7	1
CL	413907 BC LTD	1	4
CL	460574 ONT LTD	29	15
CL	469968 ONT INC	30	9
CL	516941 ONT LTD	37	8
CL	584110 ONT INC	27	12
CL	652700 ONT LTD	19	4
CL	674137 ONT LTD	17	10
CL	677009 ONT LTD	27	0
CL	699283 ONT LTD	5	3
CL	708940 ONT LTD	4	12
CL	715137 ONT LTD	5	4

Dec. 1996 Y.E. and YTD July 1997 Canadian Leased Vehicles - Not Including GVW 8

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
CL	726209 ONT LTD	35	14
CL	734393 ONT LTD	43	8
CL	777777 ONT LTD	89	0
CL	866229 ONT INC	45	21
CL	876295 ONT INC	3	7
CL	901427 ONT INC	13	0
CL	924574 ONT LTD	0	1
CL	961576 ONT INC	17	7
CL	967961 ONT LTD	72	72
CL	991491 ONT INC	35	13
CL	1009329 ONT LTD	1912	1353
CL	1013422 ONT LTD	9	0
CL	141951 CANADA INC	0	2
CL	2855 5001 QUEBEC INC	8	3
CL	385766 AB LTD	2	0
CL	588 LSG CO INC	1	1
CL	882209 ONT LTD	1	0
CL	1037069 ONT INC	35	0
CL	1053038 ONT LTD	0	207
CL	1073630 ONT INC	0	8
CL	137232 CANADA INC	1	3
CL	3 K LSG LTD	2	0
CL	312064 AB LTD	1	0
CL	425197 AB LTD	3	3
CL	472227 BC LTD	58	0
CL	559181 ONT LTD	20	11
CL	614644 ONT LTD	2	2
CL	939488 ONT LTD	14	13
CL	943118 ONT INC	2	4
Total Commercial Leased Vehicles		73468	50326

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL		3	16
DL	A&B FORD LTD	22	10
DL	AB CAR LSG LTD	1	0
DL	AB MOTOR PRODUCTS LTD	380	295
DL	ABERDEEN MOTORS LTD	1	0
DL	ABLE AUTO LSG LTD	33	30
DL	ACACIA MOTORS LSG LTD	2	2
DL	ACCENT LSG & SALES LTD	56	36
DL	ACME AUTO LSG INC	29	12
DL	ACME MOTORS LTD	2	0
DL	ACTION AUTO LSG INC	35	17
DL	ACTION CHEV OLDS INC	1	0
DL	ADAMS AUTO LSG INC	11	7
DL	ADDISON ON BAY LSG LTD	135	65
DL	ADDISON ON BAY LTD	178	110
DL	ADVANTAGE LSG LTD	30	28
DL	AGINCOURT AUTOHAUS LSG INC	307	136
DL	AGINCOURT NISSAN LTD	27	31
DL	AIRDRIE MOTORS LTD	1	0
DL	AIRPORT AUTO TRK SLS & LSG LTD	1	0
DL	AIRPORT LINCOLN MERCURY SALES	2	1
DL	AITKEN MOTORS LTD	3	3
DL	AJAX JEEP EAGLE LTD	1	0
DL	AL GLOVER INTL TRUCKS	10	2
DL	ALEX WILLIAMSON MOTOR LTD	160	110
DL	ALGOMA CHRY INC	5	2
DL	ALIX AUTOMOBILE INC	0	3
DL	AMBASSADOR MOTOR HOME & REC SV	8	10
DL	AMFAR HOLDINGS INC	17	12
DL	AMI AUTO INC	0	1
DL	ANCONA LSG INC	491	376
DL	ANDRE LANOUCE PONT BUICK LTD	1	1
DL	ANDREW MURRAY MOTORS LTD	22	18
DL	ANGLO CANADIAN MOTORS INC	0	8
DL	ANNACIS AUTO TERMINALS LTD	1	0
DL	ANNANDALE DODGE CHRY LSG LTD	113	61
DL	ANNÉGORD HOLDINGS LTD	10	6
DL	APEX AUTO LSG LTD	7	4
DL	APPLEWOOD BMW INC	19	0
DL	APPLEWOOD LSG LTD	332	210
DL	ARCHAMBAULT AUTOMOBILES LTEE	4	1
DL	ARMSTRONG AUTO SALES & LSG	36	12
DL	ARNOLD CHEV OLDS INC	0	1
DL	ARNPRIOR CHRY LTD	6	1
DL	ARROWHEAD MOTORS LSG INC	1	3
DL	ARTHUR CHRY PLYM LTD	86	88
DL	ATLANTIC MACK SALES INC	1	0
DL	ATTRELL AUTO HOLDINGS LSG LTD	122	48
DL	AURORA TOYOTA INC	37	31
DL	AUTO BOULEVARD ST MARTIN INC	0	3
DL	AUTO CANADA LSG INC	0	2
DL	AUTO CLEARING LTD	2	1
DL	AUTOHAUS WATERLOO LTD	3	2
DL	AUTO LOCATION VARENNES LTEE	21	0
DL	AUTO R S INC	0	2
DL	AUTOCARS NORTH LSG INC	2	0
DL	AUTOHAUS BARRIE LTD	8	1
DL	AUTOHAUS GEORGETOWN INC	3	1
DL	AUTOHAUS STACKELBERG INC	5	4
DL	AUTOLAND CHRY LTD	3	0
DL	AUTOMOBILES PAQUIN LTEE	4	0
DL	AUTO BERNIER ET CREPEAU	3	2
DL	AUTOMOBILES CHAMPAGNE INC	2	0
DL	AUTOMOBILES CHICOUTIMI	0	2
DL	AUTOMOBILES DONNACONA LTEE	26	12
DL	AUTOMOBILES G R COREE	3	0
DL	AUTOMOBILES MAURICE PARENT INC	10	3
DL	AUTOMOBILES PARAMI INC	13	10
DL	AUTOMOBILES PIERRE BRAULT	7	1

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	AUTOMOBILES PLYM CHRY	15	10
DL	AUTOMOBILES R P INC	1	0
DL	AUTOMOBILES ROBERGE LINC MERC	4	4
DL	AUTOMOBILES SABRIC INC	1	0
DL	AUTOMOBILES SILVER STAR	3	0
DL	AUTOMOBILES VAL ESTRIE INC	1	1
DL	AUTOS LAURIER INC	8	0
DL	AVANT GARD INVESTMENTS INC	1	0
DL	AVENUE MOTORCARS INC	0	1
DL	AVENUE NISSAN SALES LTD	135	56
DL	AVON PARK FORD MERC LINC	1	4
DL	AUTOHAUS MARTINS	0	1
DL	AVONIAN MOTORS LTD	0	1
DL	ALPINE LSG LTD	0	1
DL	AUTOBAHN MOTORS LSG INC	23	10
DL	A NORTHERN AUTO SALES	1	1
DL	ACCESS AUTO LOCATION INC	0	2
DL	ACURA CENTRE OF SASKATOON	1	2
DL	ADVANTAGE MOTORS LTD	0	1
DL	AUTO DIATSI INC	2	0
DL	AUTO PLAN LSG	21	19
DL	AUTOHAUS LSG LTD	1	0
DL	AUTOMOBILES F E HAMILTON LTD	1	0
DL	A GIRARDIN INC	3	0
DL	ACACIA MOTORS LTD	11	5
DL	ACURA OF VICTORIA	6	0
DL	ADAMS PONT BUICK GMC LTD	154	109
DL	AGINCOURT AUTOHAUS INC	0	1
DL	ALEX IRVINE MOTORS LTD	200	119
DL	ANTILLES AUTOMOBILES INC	1	0
DL	ARBOUR AUTOMOBILES LTD	3	0
DL	ATLANTIC MOTORS LTD	7	8
DL	AUBE PONT BUICK LTEE	1	1
DL	AUTO VOISIN INC	4	0
DL	AUTOBUS THOMAS INC	30	3
DL	AUTOCARS NORTH INC	2	1
DL	AUTOMOBILES E LAUZON INC	71	34
DL	AUTOMOBILES F M INC	2	8
DL	AUTOMOBILES GIGUERE INC	1	0
DL	AUTOMOBILES PELEMO ENR	0	2
DL	AUTOMOBILES REGATE INC	2	1
DL	AUTOMOBILES RIMAR INC	1	2
DL	ADVANTAGE FORD SALES LTD	7	4
DL	ALL SEASONS AUTOMOTIVE LTD	27	23
DL	AUTOSMART LSG	35	0
DL	ACURA AUTO PLAZA LSG	3	1
DL	AUTO WEST BMW	16	9
DL	AUTO WEST BMW LSG	17	41
DL	AUTOHAUS SURREY LSG	14	14
DL	AUTOMOBILE JACQUES MARIER INC	3	0
DL	ACCURATE MOTORS LSG LTD	1	0
DL	AUTOHOUSE SURREY	5	3
DL	AWR HONDA LSG	0	1
DL	A R TAYLOR LSG LTD	0	1
DL	AB HONDA LTD	1	0
DL	ADELAIDE MOTORS INC	68	28
DL	ADVENTURE AUTOMOTIVE LTD	43	7
DL	ALL WEST TRUCKS INC	0	1
DL	AMHERST TOYOTA LTD	0	2
DL	ANGEVAARE ENT LTD	1	0
DL	ANTHONY SUZUKI	0	1
DL	ART BARRY MERCURY LTD	43	12
DL	ASIA MOTOR CO LTD	30	0
DL	AUTO TOWN INC	2	1
DL	BADRY SALES & SERVICE LTD	10	5
DL	BAILEY TOYOTA LTD	6	1
DL	BARIL LINCOLN MERCURY INC	0	1
DL	BARRIE FINE CARS & SER LTD	2	9
DL	BARRY CULLEN CHEV OLDS LTD	100	52

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	BARRY CAR SALES LTD	5	0
DL	BATHURST FINE CARS INC	0	1
DL	BAY KING MOTORS LTD	82	69
DL	BAY LINCOLN MERCURY SALES LTD	1	1
DL	BAY STREET AUTO LTD	1	0
DL	BAYSIDE CHRYS. DODGE LTD	1	0
DL	BAYSIDE CHRYS. DODGE LSG LTD	64	46
DL	BAYVIEW CHRYS. DODGE LTD	30	20
DL	BEACH AUTO LSG LTD	47	19
DL	BEAUCAGE CHEV GEO OLDS	8	2
DL	BEAUDOIN DODGE CHRYS. INC	0	1
DL	BEAVER LINCOLN MERCURY SALES	5	7
DL	BELANGER LINCOLN MERCURY SALES	3	6
DL	BELISLE TRAC SALES LTD	3	1
DL	BELIVEAU & COMEAU AUTO	3	0
DL	BELLIVEAU MOTORS LTD	90	91
DL	BENNETT CHEV OLDS LTD	2	0
DL	BENNETT DUNLOP FORD SALES LTD	1	0
DL	BENNETT CHEV OLDS LSG LTD	110	67
DL	BERK INTERTRUCK LSG LTD	2	0
DL	BERNIER & CREPEAU LTEE	7	6
DL	BICKLEY FORD SALES LTD	1	0
DL	BIG M LINCOLN MERCURY SALES LT	3	0
DL	BILL CHAMBERS CHEV OLDS	3	1
DL	BILL MATTHEWS AUTO HAUS LTD	1	1
DL	BILL PERRIN MOTORS LSG LTD	1	0
DL	BILL SPENCER CHEV OLDS	6	2
DL	BINKLEY MOTORS LTD	1	1
DL	BIRCHCLIFF LINCOLN MERCURY SAL	3	0
DL	BIRCHCLIFF NATIONAL LSG	2	0
DL	BLACKSTOCK FORD LINCOLN MERCUR	17	6
DL	BLAIKIES DODGE CHRYS. LSG LTD	27	5
DL	BLUE STAR FORD LSG LTD	28	7
DL	BLUEWATER FORD MERCURY SALES	15	8
DL	BOB BANNERMAN MOTORS LTD	2	4
DL	BOB CAMPBELL MOTORS LTD	25	3
DL	BOB JOHNSTON CHEV OLDS	72	37
DL	BOB SEARLES CHEV OLDS	2	1
DL	BONNYMAN PONTIAC BUICK LTD	4	0
DL	BORDERTOWN PONTIAC BUICK GMC LTD	1	1
DL	BOSTON LTD	56	34
DL	BOULEVARD CHEV LSG INC	170	0
DL	BOURGEOIS MOTORS LTD	5	3
DL	BRABY MOTORS LSG LTD	2	0
DL	BRAMVIEW FORD SALES LTD	28	34
DL	BRANTFORD CHRYS. PLYM LTD	1	0
DL	BRANTFORD FINE CARS LTD	172	176
DL	BRANTFORD HONDA LTD	9	3
DL	BRANTFORD NISSAN INC	20	9
DL	BRAY MOTORS CHEV OLDS	1	0
DL	BRENTWOOD MOTORS LTD	0	1
DL	BRETT MOTORS LSG LTD	2	3
DL	BRIAN CULLEN MOTORS LTD	26	25
DL	BRIAN FINCH PONTIAC BUICK LTD	2	1
DL	BRIAR WOOD CHEV OLDS	90	43
DL	BRIMELL MOTORS LTD	1	0
DL	BROCK FORD & MERCURY SALES LTD	8	0
DL	BROOKNORTH HOLDINGS INC	11	3
DL	BROWN BROS MOTOR LEASE	216	124
DL	BROWN CHEV OLDS CAD LTD	1	0
DL	BRUCE BISSELL BUICK PONTIAC LTD	191	54
DL	BRUCE LSG LTD	7	0
DL	BRUNSWICK CHRYS. PLYM LTD	0	6
DL	BRUNSWICK PONTIAC BUICK LTD	1	0
DL	BUPONT MOTORS INC	5	5
DL	BURLINGTON FAIRVIEW NISSAN LTD	58	23
DL	BURLINGTON TOYOTA INC	58	66
DL	BURNSIDE INTERTRUCKS LTD	1	0
DL	BURRARD IMPORT LSG LTD	5	0

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	BUSTARD CHRY PLYM LTD	1	0
DL	BUTLER AUTO LSG LTD	1	2
DL	BUTLER CHEV OLDS CAD LTD	1	3
DL	BYRON GRAHAM MOTORS LTD	1	0
DL	BENY CHEV OLDS CAD	1	3
DL	BOB ALLEN AUTO SALES LTD	0	2
DL	BRENTBRIDGE MERCURY SALES LTD	3	1
DL	BROWN BROS FORD SALES LTD	62	34
DL	BRUCE CHEV OLDS LTD	1	1
DL	BIG 4 MOTORS LTD	7	13
DL	BUCHWALD MOTORS LTD	13	4
DL	BRENNAN PONT BUICK GMC LTD	36	22
DL	BILE CAD LTD	21	38
DL	BOB BELL CHEV OLDS	0	1
DL	BRIAN JESSEL BMW SUBARU	10	0
DL	BRIAN RICES COURTEENAY TOYOTA	9	4
DL	BARNABE AUTO CENTRE INC	15	11
DL	BELISLE AUTOMOBILES INC	157	76
DL	BIRCHWOOD PONT BUICK LTD	3	1
DL	BLAIKIES DODGE CHRY LTD	84	104
DL	BLAINVILLE TOYOTA INC	3	15
DL	BLONDIN AUTOMOBILES LTEE	3	1
DL	BLUE MOUNTAIN CHRY LTD	8	1
DL	BOULEVARD CHEV INC	0	2
DL	BOURASSA PONT BUICK LTD	9	0
DL	BRASSO NISSAN LTD	10	3
DL	BROOKDALE PONT BUICK LTD	4	4
DL	BURRARD ACURA AUTO PLAZA	8	17
DL	BAVARIAN MOTORS INC	1	0
DL	BRETON AUTO SALES LTD	1	4
DL	BILL HOUSTON FORD MERCURY SALE	5	0
DL	BADANAI CHEV GEO OLDS	1	0
DL	BAKER SALES & SERVICE	21	5
DL	B A SMITH CHEV GEO OLDS LSG	3	2
DL	BRADEN FORD LSG	4	2
DL	B&M MOTORS LSG LTD	1	0
DL	BRANTFORD VOLKSWAGEN SALES LTD	2	12
DL	BELLE ISLE LINCOLN MERCURY LSG	0	5
DL	BARNET TOYOTA	16	13
DL	BERMAN FINE CARS INC	1	0
DL	BILARS GARAGE LTD	1	0
DL	BRAEMAR AUTO LSG LTD	1	0
DL	BURNSIDE LSG LTD	0	1
DL	BURRARD ACURA AUTO PLAZA LSG	38	39
DL	C&R MOTORS LSG LTD	17	0
DL	C B ROBINSON LTD	0	6
DL	C R MOTORS LSG LTD	0	1
DL	CADWELL MOTORS LTD	3	3
DL	CALGARY MACK SALES LTD	1	0
DL	CAM CLARK FORD SALES LTD	24	28
DL	CAMBRIAN FORD SALES LTD	51	28
DL	CAMBRIAN MOTORS LTD	11	0
DL	CAMBRIDGE NISSAN INC	39	15
DL	CAMBRIDGE TOYOTA INC	240	204
DL	CAMCO AUTOMOBILES INC	0	1
DL	CAMIOTS INT'L ELITE LTD	0	7
DL	CAMPBELL FORD SALES LTD	123	61
DL	CAMPBELLFORD CHRY PLYM	4	5
DL	CAMPBELLTON AUTO LSG LTD	11	2
DL	CAN BOW MOTORS LTD	3	1
DL	CANADIAN MOTORS LTD	2	2
DL	CANDIAC TOYOTA INC	0	1
DL	CAPITAL FORD SALES LTD	11	3
DL	CAR HOLDINGS LSG LTD	4	0
DL	CARIBOO CHEV OLDS PONT LSG	1	0
DL	CARL ELLIOTT CHEV LTD	0	1
DL	CARLETON PLACE DODGE CHRY	7	0
DL	CARLINGWOOD MOTORS LTD	6	1
DL	CARTER CHEV OLDS LSG LTD	0	1

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	CARTER LSG LTD	137	107
DL	CARTER MOTOR CARS LTD	0	1
DL	CARTER PONT BUICK LSG LTD	2	1
DL	CARWAY LSG INC	3	9
DL	CAUSEWAY PONT BUICK LTD	6	2
DL	CAVALCADE FORD MERCURY SALES	5	0
DL	CEDAR HILL PONT BUICK GMC	0	1
DL	CENTENNIAL PLYM CHRY	164	123
DL	CENTRAL CHRY PLYM	3	1
DL	CENTRAL GARAGE SALES & SERVICE	9	13
DL	CENTRAL MOTORS LTD	29	11
DL	CENTRAL ONT SPECIALTY CARS LTD	1	0
DL	CENTREVILLE FORD VENTES LTEE	0	1
DL	CENTREVILLE DODGE CHRY	13	25
DL	CHALIFOUX MOTORS LTD	12	0
DL	CHAMPLAIN DODGE CHRY LTD	6	10
DL	CHAPUT AUTO LOCATION LTEE	15	17
DL	CHARLAND CHEV OLDS	4	0
DL	CHECKPOINT CHRY LTD	1	1
DL	CHENIER MOTORS LTD	10	6
DL	CHEVALIER AUTOMOBILES INC	15	12
DL	CHEVALIER MOTORS LSG INC	3	10
DL	CHEVALIER MOTORS INC	20	8
DL	CHIVA INVESTMENTS LTD	91	116
DL	CHRY PLYM DE BLAINVILLE	0	1
DL	CITY PONT BUICK CAD LTD	322	253
DL	CITY CHEV GEO OLDS	6	8
DL	CITY MOTORS LTD	77	91
DL	CIVIC MOTORS LTD	0	6
DL	CLARKDALE MOTORS LSG LTD	5	5
DL	CLASSIC DODGE CHRY INC	9	8
DL	CLAYTON POIRIER LTD	0	1
DL	CO VAN INTL TRUCKS	0	1
DL	COASTAL FORD SALES LSG LTD	1	0
DL	COASTLINE MOTOR CO LSG LTD	7	0
DL	COBOURG NISSAN LTD	3	1
DL	CODE MOTORS LTD	1	2
DL	COLLINGWOOD CARS INC	3	2
DL	COLONIAL AUTO LSG	0	5
DL	COLONIAL CHEV OLDS LTD	10	4
DL	COLONIAL HONDA	1	5
DL	COLONY LINCOLN MERCURY SALES	133	87
DL	COMOX VALLEY FORD LSG LTD	0	1
DL	COMPETITION TOYOTA LTD	1	3
DL	CONCEPT AUTO GLT INC	0	1
DL	CONCEPT FORD LSG LTD	3	0
DL	CONCORDIA AUTO LTEE	5	4
DL	CONDIE PONT BUICK LTD	4	3
DL	CONNOR EASTOWN CHEV OLDS	6	2
DL	COOKSON MOTORS LSG LTD	1	0
DL	COOKSVILLE DODGE CHRY INC	13	4
DL	CORNELL CHEV OLDS LSG LTD	28	0
DL	COUNTRY MOTORS INC	2	12
DL	COUPAL & BRASSARD AUTO INC	1	0
DL	COURTESY CHEV GEO OLDS LSG LTD	0	1
DL	COURTESY CHRY DODGE LTD	82	78
DL	COVEY DODGE CHRY LTD	3	5
DL	COWAN PONT BUICK LTD	12	9
DL	COWELL MOTORS LSG LTD	74	62
DL	CRAIG HIND DODGE CHRY LTD	34	37
DL	CROSSTOWN CHEV OLDS	67	35
DL	CROSSTOWN MOTORS LSG INC	109	111
DL	CROSSTOWN MOTORS LTD	21	3
DL	CROWFOOT DODGE CHRY INC	2	2
DL	CRUICKSHANK MOTORS LSG LTD	124	34
DL	CRUICKSHANK MOTORS LTD	5	1
DL	CRYSTAL PLYM CHRY LTD	9	0
DL	CUNNINGHAM MOTOR CO LTD	1	0
DL	CYRVILLE CHRY PLYM LTD	3	0

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	CALGARY MOTOR PRODUCTS CO LTD	0	2
DL	CAMPBELL RIVER HONDA COUNTRY	16	27
DL	CANADIAN BLUE BIRD SALES CO IN	1	0
DL	CANYON CREEK TOYOTA INC	0	1
DL	CARS INTL LTD	3	0
DL	CARTER CHEV OLDS LTD	0	1
DL	CARTER PONT BUICK LTD	10	10
DL	CASTLEGAR MAZDA	7	2
DL	CHEBUCTO LSG LTD	5	3
DL	COCHRANE AUTO LSG LTD	0	1
DL	COMPLEXE AUTO 440 DE LAVAL	173	72
DL	CONTINENTAL CARS LSG INC	1	0
DL	COQUITLAM LSG LTD	0	1
DL	CRAFTSMAN COLLISION LTD	20	0
DL	CRESTON HYUNDAI	1	1
DL	CAMPBELL RIVER HYUNDAI LTD	2	1
DL	CANBEC AUTOMOBILE INC	3	6
DL	CARRIER TRUCK CENTER INC	5	7
DL	CARROLL MOTORS LTD	0	1
DL	CARROLL PONT BUICK LTD	4	4
DL	CEDARBRAE VOLKSWAGEN LTD	24	6
DL	CENTRAL PONT BUICK LTEE	11	1
DL	CHAMBLY TOYOTA INC	3	1
DL	CHARLESGLEN TOYOTA LTD	0	1
DL	CHARTRAND FORD VENTES INC	183	45
DL	CHECKPOINT PONT BUICK GMC	1	0
DL	CLERMONT CHEV OLDS INC	69	43
DL	COAL VALLEY PONT BUICK GMC	1	0
DL	COASTAL FORD SALES LTD	0	1
DL	COLLEGE LINCOLN MERCURY	1	1
DL	COLUMBIA DODGE LTD	9	10
DL	CONCORDE AUTOMOBILE LTEE	2	0
DL	COQUITLAM CHRY PLYM LSG LTD	5	5
DL	CORPORATE CARS INC	1	0
DL	COURTESY CHEV GEO OLDS LTD	124	76
DL	CRESTVIEW CHRY DODGE LTD	0	1
DL	CANARINO MOTOR SALES LTD	22	18
DL	CAPITAL PONT BUICK GMC CAD	1	0
DL	CURRY MOTORS LSG LTD	10	0
DL	CARROLL SOUTH SHORE MOTORS INC	21	3
DL	CENTREVILLE VOLKSWAGEN INC	0	1
DL	CURRY AUTOMOTIVE LSG LTD	23	15
DL	COLEMAN AUTOHAUS INC	0	3
DL	CENTRAL AUTO SALES LTD	5	2
DL	CMP PONT BUICK CAD GMC	1	13
DL	COURTESY LINCOLN MERCURY SALES	0	3
DL	COWELL IMPORTS LSE INC	0	1
DL	CALGARY HONDA LTD	8	2
DL	CAMPBELL RIVER HYUNDAI LSG LTD	1	0
DL	CAN BOW MOTORS LSG LTD	8	8
DL	CAPITAL CITY AUTO LSG LTD	15	3
DL	CARNIVAL AUTOMOBILES LTD	7	1
DL	CARTER HONDA	11	4
DL	CASTEL NISSAN LTEE	4	0
DL	CECIL LETCHER & SONS	5	0
DL	SIMCOE COUNTY CHRY LTD	1	0
DL	CENTREVILLE LSG ENT	1	0
DL	CHEVROLAKE MOTORCARS LTD	3	0
DL	CHRY DE LACHUTE INC	0	1
DL	COMMUNITY GMC PONT BUICK	1	0
DL	COOKE MOTORS LSG LTD	1	0
DL	COULTER VEHICLE LSG LTD	2	0
DL	COVENTRY LANE LTD	1	7
DL	CRANBROOK HYUNDAI	11	9
DL	CRANGLES GARAGE LSG LTD	1	1
DL	CARL ELLIOTT CHEV LSG LTD	70	33
DL	CENTRAL GARAGE LSG LTD	1	0
DL	CARSTAIR FORD SALES & SERVICE	2	0
DL	CHARLESGLEN TOYOTA LSG LTD	11	21

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	CHEYENNE CHEV OLDS LTD	1	0
DL	CLARE DODGE CHRY LTD	3	6
DL	CORNWALLIS CHEV OLDS CAD LTD	1	0
DL	CROWFOOT FORD SALES LTD	44	27
DL	D&H MOTOR SALES LTD	1	0
DL	DCH MOTORS LSG INC	45	71
DL	DDM ENT LSG LTD	72	1
DL	DOC AUTO LOCATION LTEE	16	10
DL	D ALESSANDRO INVESTMENTS	43	46
DL	DAIGNEAULT & FRERÉ INC	1	9
DL	DALE DOWNEY PONT BUICK GMC	8	12
DL	DALMAR MOTORS LTD	38	16
DL	DALT SALES & SERVICE LTD	81	58
DL	DAN COURVILLE CHEV GEO OLDS	23	17
DL	DAN KANE CHEV OLDS LSG	234	115
DL	DANNY MURPHY LINCOLN MERCURY	0	1
DL	DAVE LANDON MOTORS LSG LTD	4	0
DL	DAVE SEABROOK MOTORS INC	1	1
DL	DAVID C FLORENCE AUTOMOTIVE	5	4
DL	DAVID CHEV GEO OLDS	2	0
DL	DAVID MORRIS FINE CARS LTD	2	0
DL	DAVIDSON PONT BUICK LTD	7	3
DL	DAVIS PONT BUICK GMC LTD	0	3
DL	DAWSON MOTORS LSG LTD	9	3
DL	DE GROOTE HILL PONT BUICK GMC	2	3
DL	DELUXE LOCATION D AUTOS INC	2	3
DL	DEARBORN MOTORS LSG LTD	14	0
DL	DEAN MYERS CHEV OLDS LTD	48	51
DL	DEAN WATSON AUTO LTD	20	13
DL	DEARBORN MOTORS LTD	1	0
DL	DELHI DODGE CHRY LTD	1	2
DL	DEMPSEY CHRY LTD	7	1
DL	DENNY ANDREWS FORD INC	1	0
DL	DERAGON AUTO CITE INC	65	0
DL	DERAGON AUTO CITE LSG INC	175	124
DL	DERMAC MOTORS LTD	4	4
DL	DEROUARD MOTOR PRODUCTS LTD	9	16
DL	DERRICK DODGE LTD	183	130
DL	DES CARPENTERS COURTESY CHRY	0	2
DL	DES CARRIERES PONT BUICK LTD	0	3
DL	DES CHAMPS PONT BUICK GMC	84	62
DL	DES SOURCES DODGE CHRY LTD	1	2
DL	DESLAURIERS AUTOMOBILE LTEE	0	1
DL	DESOURDY AUTOMOBILE INC	2	3
DL	DESROSIERS AUTOMOBILES INC	3	3
DL	DE WILDT PLYM CHRY LTD	25	41
DL	DINGWALL FORD LTD	15	16
DL	DION CHEV OLDS INC	1	2
DL	DIRECT MOTOR CO LTD	10	9
DL	DIXIE FORD SALES LTD	62	26
DL	DIXIE TOYOTA LTD	9	14
DL	DODGE CITY AUTO LTD	4	3
DL	DOMINION MOTORS LTD	16	3
DL	DON BUMSTEAD MOTORS LTD	2	1
DL	DDM ENT LTD	118	0
DL	DON EARLE LTD	11	8
DL	DON HOWSON CHEV GEO OLDS	157	127
DL	DON VALLEY LSG INC	38	29
DL	DON VALLEY NORTH TOYOTA	13	2
DL	DON VALLEY VOLKSWAGEN LTD	1	0
DL	DON WHEATON CHEV OLDS GEO LTD	35	30
DL	DON WHEATON CHEV OLDS GEO LSG	3	0
DL	DON WRIGHT AUTO LTD	0	3
DL	DOONWAY FORD SALES LTD	66	32
DL	DOUG MARSHALL MOTORS LSG LTD	79	12
DL	DOUGLAS LINCOLN MERCURY SALES	59	28
DL	DOW MOTORS LTD	7	0
DL	DOWNEY FORD SALES LTD	0	8
DL	DOWNSVIEW CHRY PLYM LTD	171	121

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
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DL	DOWNTOWN PONT BUICK LTD	162	39
DL	DOWNTOWN TOYOTA CENTER LTD	118	40
DL	DRYDEN CHEV OLDS LTD	1	0
DL	DUBE AUTO SALES LTD	0	1
DL	DUCHARME MOTORS LTD	22	62
DL	DUCHESNEAU PONT BUICK GMC LTD	1	2
DL	DUFFUS MOTORS INC	1	0
DL	DUNLOP FORD LTD	0	3
DL	DUNLOP TOYOTA LTD	3	2
DL	DUPORTAGE MERCURY VENTES LTD	2	0
DL	DENHAM CHRY LTD	5	2
DL	DENHAM FORD SALES LTD	3	1
DL	DUNLOP FORD LSG LTD	30	1
DL	DENNIS SEARLES CHEV OLDS	1	3
DL	DISBROWE PONT BUICK CAD	1	0
DL	DOWNTOWN FINE CARS INC	33	14
DL	DOUG THISTLE HYUNDAI	0	1
DL	DAVIDSON CHRY DODGE INC	25	9
DL	DCH MOTORS LTD	0	1
DL	DE SIGI AUTOMOBILES	28	18
DL	DEAN MYERS LSG LTD	16	3
DL	DON FOLK HONDA	23	20
DL	DON QUAST HYUNDAI	5	2
DL	DOWNTOWN INFINITI INC	5	1
DL	DUNCAN MAZDA	3	0
DL	D BROWN MOTORS LTD	9	6
DL	DARTMOUTH DODGE CHRY LTD	0	4
DL	DAVE LANDON MOTORS LTD	1	0
DL	DOMINICK AUTO SPORT LTEE	23	28
DL	DUCK CHEV OLDS CAD LTD	13	6
DL	DARTMOUTH HYUNDAI	25	11
DL	DISCOVERY FORD SALES	7	3
DL	DU MANOIR MOTORS INC	0	1
DL	DAY LINCOLN MERCURY SALES INC	66	32
DL	DESMEULES AUTO LOCATION INC	16	25
DL	DENNIS MURPHY PONT BUICK GMC	0	1
DL	D K FORD LTD	26	37
DL	DAVIS LEASECO LTD	35	36
DL	DEVONIAN MOTORS INC	8	3
DL	DIAMOND INT'L TRUCKS LTD	1	0
DL	DISCOVERY HONDA LTD	20	68
DL	DONTRO LSG LTD	0	1
DL	DOUG DEMEYERE LSG LTD	63	45
DL	DREW AUTO LSG INC	3	4
DL	E M BANKS & SONS LTD	3	0
DL	EAGLERIDGE PONT BUICK GMC	2	1
DL	EAST COURT LINCOLN MERCURY	1	0
DL	EASTERN AUTOMOBILE LTD	4	2
DL	EASTGATE FORD SALES & SERVICE	58	25
DL	EASTSIDE CHEV OLDS	30	10
DL	EASTVIEW PONT BUICK LTD	1	0
DL	EASTWAY FORD SALES LTD	6	4
DL	EASTWAY PLYM CHRY LTD	13	0
DL	ECONAUTO LTEE	8	160
DL	ECONOMY CAR & TRUCK LSG LTD	23	6
DL	ED KLASSEN PONT BUICK GMC LSG	123	126
DL	ED LEARN FORD LTD	45	16
DL	EDMONTON MOTORS LSG LTD	1	0
DL	ELITE AUTO LSG LTD	48	19
DL	ELM CITY CHRY LSG LTD	487	276
DL	EMILE A VAILLANCOURT LTD	1	0
DL	ENSIGN PACIFIC LEASE LTD	323	262
DL	ERIC CAMPBELL FORD LINCOLN	7	0
DL	ERIC SUTHERLAND PONT BUICK	33	20
DL	ERICKSEN NISSAN LTD	11	5
DL	ERIN DODGE CHRY LTD	12	3
DL	ERIN MILLS IMPORT INC	1	0
DL	ERINWOOD FORD SALES LTD	6	5
DL	ERNIE DEAN PONT BUICK LTD	3	1

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	EVANGELINE MOTORS LTD	0	1
DL	EVANS FORD MERCURY LTD	136	78
DL	EVERETT & SMITH LTD	4	0
DL	EXETER PLYM CHRY LTD	5	0
DL	EXPRESS AUTO LSG & SALES	1	0
DL	EASTSIDE DODGE CHRY LTD	128	139
DL	ENS TOYOTA LSG LTD	3	0
DL	EASTERN NISSAN LTD	0	2
DL	ELITE AUTO LTD	1	1
DL	ERICKSEN NISSAN LSG LTD	1	0
DL	ERSHORE JEEP EAGLE	1	1
DL	EVEREADY SATURN SAAB ISUZU	6	7
DL	E P POIRIER LTEE	0	1
DL	ED KLASSEN PONT BUICK GMC	1	0
DL	EDMONTON MOTORS LTD	0	37
DL	EDMUNDSTON AUTO LTD	1	0
DL	EDWARDS FORD SALES LTD	97	46
DL	ENT FLEETS LSG INC	1	0
DL	EXCLUSIVE AUTO SALES & LSG	7	1
DL	EASTWAY TOYOTA LSG INC	3	0
DL	EASTWAY SALES & LSG INC	17	12
DL	EXETER CHRY LTD	7	2
DL	EASTHILL AUTOHAUS INC	0	1
DL	EDMONTON FREIGHTLINER LTD	1	0
DL	ELGIN CHRY LSG INC	0	1
DL	EXCELEASE CORP	4	3
DL	EASTSIDE DODGE CHRY LSG LTD	0	1
DL	F MCCLURE & SONS LSG LTD	1	0
DL	FAIR ISLE FORD LSG LTD	9	2
DL	FAIRLEY & STEVENS LTD	2	1
DL	FAIRVIEW IMPORT MOTORS INC	0	1
DL	FAIRVIEW LSG LTD	95	1
DL	FAIRVIEW TOYOTA	0	1
DL	FARR & FUSS LINCOLN MERCURY	5	1
DL	FAVOT MOTORS LTD	37	19
DL	FESTING MOTORS LSG INC	0	1
DL	FESTING TOYOTA INC	1	0
DL	FILLION & FRERES INC	15	1
DL	FINE FORD MERCURY SALES LTD	2	0
DL	FLEETWOOD MOTORS LSG LTD	17	23
DL	FORBES BROS INC	88	35
DL	DURHAM DODGE CHRY	25	17
DL	FORTIER AUTO LTEE	0	34
DL	FOUR STAR AUTO LSG LTD	61	85
DL	FRANK LAURIA PONT BUICK	4	2
DL	FRANKLIN POUSE MOTORS LTD	60	38
DL	FRASER CITY MOTORS LSG LTD	61	75
DL	FRASERWAY RV CENTER LSG LTD	2	0
DL	FRED MURPHY LTD	1	0
DL	FRED WALLS & SON LSG LTD	2	0
DL	FREEWAY FORD SALES & LSG LTD	7	2
DL	FRIENDLY CITY FORD MERC LINC	0	3
DL	FROST PONT BUICK CAD LTD	1	3
DL	FRY FORD LSG LTD	2	3
DL	FUNDY MOTORS LSG LTD	1	0
DL	FAIRVIEW COVE AUTO LTD	2	3
DL	FESTIVAL FORD SALES LTD	17	13
DL	FIRST CHOICE HYUNDAI	1	0
DL	FORBES SATURN SAAB ISUZU	1	0
DL	FRONTIER CHRY LSG LTD	2	0
DL	FUTURE FORD MERCURY LTD	9	4
DL	FORMULE FORD INC	1	6
DL	FORMULE PONT BUICK GMC INC	1	0
DL	FOURNIER AUTO LSG	109	49
DL	FESTING MOTORS INC	2	0
DL	FIVE STAR DODGE CHRY LTD	0	2
DL	FLAG MAZDA	6	4
DL	FORBES GROUP LSG LTD	62	0
DL	FREEBORN HONDA	25	20

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	FREIGHTLINER MID ONT LTD	1	0
DL	F MCCLURE & SONS LTD	1	1
DL	FIFTH AVENUE AUTO HAUS LTD	3	1
DL	FLEETWOOD MOTORS LTD	28	26
DL	FORBES CHEV OLDS LTD	14	10
DL	FORBES MOTORS INC	82	44
DL	FORMAN FORD MERCURY LTD	1	0
DL	FOSTER PONT BUICK LTD	21	10
DL	FRASER CITY MOTORS LTD	20	17
DL	FRED WALLS & SON LTD	1	0
DL	FREEBORN MOTORS LTD	1	1
DL	FREEBORN FORD LTD	3	10
DL	FREEWAY FORD SALES LTD	83	47
DL	FRONTIER TOYOTA LTD	1	0
DL	FUNKS TOYOTA LTD	1	0
DL	FDM MOTOR SALES INC	1	0
DL	FRANK DUNN LSG	2	0
DL	FOUR POINT LSG LTD	1	0
DL	FARQUHAR PLYM CHRY LTD	2	0
DL	FOLGER LSG CO	2	1
DL	FOOTHILLS INTL TRUCKS	1	0
DL	G F PERRIN SALES & SERVICE LTD	18	2
DL	GMS LSG INC	28	24
DL	GSL CHEV OLDS CAD LTD	6	0
DL	GSL CHEV OLDS CAD LSG LTD	11	9
DL	G W MOSHER MOTOR LTD	1	0
DL	GALLINGER MOTORS LTD	19	10
DL	GALT CHRY DODGE LTD	2	1
DL	GANANOQUE MOTORS LTD	9	5
DL	GARAGE A L POIRIER INC	1	1
DL	GARAGE CIVIC LTEE	1	0
DL	GARAGE DUMOULIN LOCATIONS LTEE	0	2
DL	GARAGE FLORENT BEGIN INC	1	0
DL	GARAGE MONTPLAISIR LTEE	1	7
DL	GARAGE NORMAND TESSIER INC	1	0
DL	GARDNER CHEV OLDS LSG LTD	2	0
DL	JACKSON DODGE CHRY LSG LTD	3	1
DL	GARY MACKIE LTD	0	3
DL	GEMINI MERCURY LTD	41	13
DL	GEORGE C WEBB & SONS LTD	1	0
DL	GEORGE LYONS MOTORS LTD	0	1
DL	GEORGE SCHON MOTORS LTD	18	8
DL	GEORGE STOCKFISH FORD	69	33
DL	GEORGIAN PONT BUICK GMC INC	31	19
DL	GERARD HUBERT AUTOMOBILE LTD	11	10
DL	GERVAIN DODGE CHRY INC	1	0
DL	GILLES CARON AUTOMOBILE INC	0	1
DL	GILLESPIE PONT BUICK CAD	17	3
DL	GLASSFORD MOTORS LTD	13	8
DL	GLENLEVEN MOTORS LSG LTD	7	1
DL	GLENWAY AUTOMOBILE SALES & LSG	6	0
DL	GLOBAL CAR LSG INC	8	5
DL	GO MAR MOTORS LTD	0	1
DL	GODERICH AUTO	1	0
DL	GOLD KEY PONT BUICK LSG LTD	0	1
DL	GOLDEN MILE MOTORS LSG LTD	5	3
DL	GORD ANDERSON PONT BUICK LTD	5	0
DL	GORD RYALL PONT BUICK CAD	2	0
DL	GRAND MILLS PONT BUICK LTD	13	12
DL	GRANDVIEW LINCOLN MERCURY	1	0
DL	GRAVEL PONT ASUNA BUICK CAD	0	1
DL	GREAT PACIFIC LSG LTD	20	12
DL	GREAVETTE PONT BUICK CAD	37	20
DL	GRESCHNER MOTORS LTD	52	19
DL	GRIFFITH MOTORS LTD	0	1
DL	GROGAN FORD SALES INC	5	0
DL	GROVE PONT BUICK GMC LTD	33	15
DL	GUAYS GARAGE LTD	11	4
DL	GUELPH TOYOTA LTD	1	0

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
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DL	GUILDFORD MOTORS LSG INC	7	0
DL	BOB JOHNSTON CHEV OLDS LSG LTD	164	111
DL	GUS BROWN PONT BUICK LTD	1	0
DL	GUS REVENBERG PONT BUICK	21	9
DL	GUY BISSETTE AUTO CENTRE	1	0
DL	GYRO MOTORS LTD	1	1
DL	GEDDES FORD MERCURY SALES LTD	1	0
DL	GRAND CENTRE CHRY LTD	6	9
DL	GO WEST CAMPERS INT'L LTD	102	69
DL	GARY COOPER CHEV GEO OLDS	11	9
DL	GARY STOCKIE CHEV GEO OLDS	13	4
DL	GARAGE MARCEL VILLENEUVE INC	11	1
DL	GARAGE MICHEL POTVIN INC	5	1
DL	GARAGE REJEAN ROY INC	1	0
DL	GARAGE ROUSSEAU & FILS LTEE	8	4
DL	GESTION MERKUR INC	5	3
DL	GOHIER PONT BUICK INC	59	10
DL	GOLD KEY PONT BUICK LTD	3	2
DL	GOLDEN MILE MOTORS LTD	108	54
DL	GREAT WEST PLYM CHRY LTD	75	52
DL	GENEEN AUTOMOBILES LTD	0	2
DL	GMC NANAIMO LTD	3	1
DL	GRAND RIVER LSG INC	1	0
DL	GREAT WEST JEEP EAGLE	1	0
DL	GUSTAFSONS MAZDA	3	5
DL	GEN TRUCK LSG LTD	0	3
DL	GOLD KEY LEASE INC	1	0
DL	GUAYS GARAGE LSG LTD	4	1
DL	GROVE DODGE CHRY LSG LTD	6	5
DL	GATEWAY LINCOLN MERCURY SALES	30	22
DL	GALIL SALES & LSG LTD	3	0
DL	GSL LSG LTD	11	45
DL	GREAT WEST KENWORTH LTD	1	0
DL	GORD ANDERSON CHEV GEO OLDS	1	1
DL	GARDEN MOTORCAR INC	2	1
DL	GARRETT MOTORS LTD	23	0
DL	GRAND NORTH HYUNDAI	4	0
DL	GRANVILLE TOYOTA LTD	7	4
DL	GREEN CHEV OLDS LTD	1	0
DL	GROVE DODGE CHRY LTD	4	2
DL	GUELPH NISSAN LTD	20	30
DL	H J PFAFF MOTORS INC	66	51
DL	HALF WAY MOTORS LTD	3	3
DL	HALIFAX CHRY DODGE LTD	47	27
DL	HALLMAN MOTORS LTD	2	0
DL	HALLMARK FORD SALES LSG LTD	1	0
DL	HALTON AUTO LEASE INC	148	123
DL	HAMILTON CHEV OLDS LTD	9	5
DL	HAMILTON MOTOR PRODUCTS	8	2
DL	HANOVER MOTORS LTD	2	0
DL	HANSON PONT BUICK GMC LTD	5	3
DL	HAPPY AUTO SALES LSG INC	2	0
DL	HARBOUR LINCOLN MERCURY SALES	2	1
DL	HARDY RINGUETTE AUTOMOBILES	1	0
DL	HARVEY KROTZ LTD	16	15
DL	HARWOOD FORD MERCURY LTD	0	1
DL	HATHEWAY LSG LTD	55	50
DL	HAWLEY PONT BUICK CAD	55	76
DL	HEALY MOTOR SALES LTD	1	0
DL	HEARN PONT BUICK LTD	39	22
DL	HEFFNER TOYOTA LSG LTD	42	0
DL	HEFFNER TOYOTA LTD	6	7
DL	HENLEY MOTORS LTD	9	8
DL	HERITAGE AUTO LSG	4	2
DL	HERITAGE FORD SALES LTD	23	0
DL	HERITAGE MOTORS LTD	39	11
DL	HERRON CHEV GEO OLDS LSG LTD	0	3
DL	HICKMAN MOTORS LSG LTD	5	0
DL	HIGH POINT MOTORS INC	6	0

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	HIGHBURY FORD LTD	21	14
DL	HIGHLAND CHEV OLDS CAD LTD	171	103
DL	HIGHLAND FORD LTD	131	62
DL	HIGHVIEW PONT BUICK GMC LTD	8	0
DL	HILLTOP TOYOTA LSG LTD	5	0
DL	HING LEE MOTORS LTD	22	7
DL	HITCHCOCK PONT BUICK GMC	44	0
DL	HOGAN ALL MAKES LSG LTD	111	52
DL	HOGAN CHEV OLDS LTD	114	48
DL	HOLIDAY FORD LTD	10	4
DL	HOLLIS FORD LINC MERC	8	5
DL	HOPPER PONT BUICK GMC LTD	27	32
DL	HORNOI LSG LTD	2	0
DL	HOWARD CARTER LEASE LTD	491	341
DL	HOWARD LSG LTD	1	0
DL	DON HOWSON CHEV GEO OLDS LSG	1	1
DL	HULLY GULLY AUTOMOBILES	22	11
DL	HURON MOTOR PRODUCTS LTD	13	11
DL	HYATT AUTO SALES & LSG INC	4	4
DL	HEINZ FORD MERCURY LTD	5	4
DL	HENINGER TOYOTA	17	10
DL	HONDA WEST	0	1
DL	HOSKINS FORD LSG LTD	1	0
DL	HARBOR TOWNE FORD MERCURY LSG	1	2
DL	HOCHELAGA PONT ASUNA BUICK	0	1
DL	HOLTBY LSG LTD	0	1
DL	HALFORD & VALENTINE VOLVO	4	1
DL	HATHEWAY LTD	1	0
DL	HEARN PONT BUICK LSG LTD	150	164
DL	HONDA NORTH	6	6
DL	HONDA WAY	12	4
DL	HUSKILSON CHRY PLYM LTD	1	0
DL	HABER MOTORS INC	84	134
DL	HAMMER AUTOMOTIVE INC	1	0
DL	HAPPY HONDA AUTO LTD	14	7
DL	HEALY FORD CENTER	44	6
DL	HERRON CHEV GEO OLDS LTD	43	28
DL	HILLTOP TOYOTA LTD	0	2
DL	HOLLAND CHEV GEO OLDS LTD	71	32
DL	HONDA CITY LTD	44	27
DL	HUMBERVIEW MOTORS LSG INC	1067	643
DL	HEFFNER AUTO SALES & LSG	102	101
DL	HALIFAX FINE CARS LTD	2	0
DL	HILLSBOROUGH AUTO SALES	1	0
DL	HAMILTON SUBARU LTD	0	2
DL	HAMPTON LSG & SALES LTD	2	0
DL	HEARTLAND TOYOTA LTD	16	10
DL	HEIDELBERG MOTORS INC	1	0
DL	HENINGER TOYOTA LSG	4	0
DL	HIGH COUNTRY CHEV OLDS LTD	3	0
DL	HONDA CITY LSG LTD	2	1
DL	IMAGE AUTOMOBILES INC	19	8
DL	IMPACT DODGE CHRY INC	0	1
DL	IMPORT AUTO LSG INC	347	136
DL	INFINITI OF RICHMOND LSG	1	6
DL	INLAND KENWORTH LTD	3	2
DL	INTER CITY FORD LTD	5	5
DL	INTL MOTOR TRADING LSG LTD	1	0
DL	ISLINGTON CHRY PLYM	90	53
DL	ISLINGTON MOTOR SALE LTD	0	1
DL	INFINITI NISSAN	14	5
DL	INLAND KENWORTH LSG LTD	1	0
DL	INTEGRITY MOTORS LTD	3	3
DL	ISLAND HONDA	2	1
DL	INFINITI OF RICHMOND	9	9
DL	INTL MOTOR TRADING LTD	1	0
DL	ISLAND HONDA LSG LTD	2	0
DL	J CLARK & SON LTD	4	22
DL	J E QUANTRILL CHEV OLDS CAD	1	0

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	J J STEWART MOTORS LTD	41	36
DL	J LOCKWOOD CHRY LSG LTD	186	108
DL	J E GENDRON AUTOMOBILES LTD	7	0
DL	J L CLICHE AUTOMOBILE LTEE	0	1
DL	JACK CARTER CHEV OLDS LSG	6	4
DL	JACK GRAHAM CHEV OLDS LSG LTD	6	7
DL	JACK MCGEE CHEV OLDS CAD	111	58
DL	JACQUES LAPLANTE CHEV OLDS	1	1
DL	JAMES TOYOTA LSG LTD	5	0
DL	JAMES TOYOTA LTD	0	1
DL	JANZEN PONT BUICK LTD	1	0
DL	JARVO MOTORS LTD	2	0
DL	JEROME D TAYLOR CHEV OLDS	57	36
DL	JIM BURNS CHEV OLDS	5	0
DL	JIM GAUTHIER CHEV OLDS CAD	0	1
DL	JIM MACDONALD MOTORS LTD	3	0
DL	JIM PATTISON INDUSTRIES LTD	1401	1081
DL	JIM WILSON CHEV GEO OLDSM	11	1
DL	JIM WILSON CHEV GEO OLDS LSG	2	0
DL	JIM SAMPSON MOTORS LSG LTD	1	0
DL	JOE MELOCHE FORD SALES LTD	1	0
DL	JOHN BEAR PONT BUICK CAD	49	38
DL	JOHN LADD IMPORTED MOTOR CAR	5	5
DL	JOHN LOGAN CHEV GEO OLDS	215	148
DL	JOHN LOGAN NATIONAL LSG	16	4
DL	JOHN TINNEY MOTOR LTD	1	0
DL	JOHNSTON MOTOR LTD	5	1
DL	JOHNSTON MOTOR LSG LTD	17	17
DL	JUBILEE FORD LTD	4	3
DL	JIM SAMPSON MOTORS LTD	4	11
DL	J CLARK & SON LSG LTD	464	305
DL	JACOBSEN PONT BUICK LSG LTD	2	0
DL	JENNER CHEV OLDS LSG LTD	1	0
DL	JIM PATTISON CHEV OLDS LTD	169	109
DL	JOHN GIBBONS PONT BUICK GMC	4	3
DL	JOHN KEMP LINCOLN MERCURY	10	4
DL	JACK CARTER CHEV OLDS	495	293
DL	JIM PATTISON TOYOTA	45	22
DL	JIM PATTISON TOYOTA LSG	0	1
DL	JACOBSON FORD MERCURY LSG LTD	2	0
DL	JACOBSEN VENTURES LTD	2	2
DL	JEAN XXIII AUTORAMA INC	2	0
DL	JOHN SCOTTI AUTO LSG LTD	1	0
DL	JEROME TAYLOR PONT BUICK GMC	1	0
DL	JACK FINDLAY MOTORS LTD	1	0
DL	K L FINE CARS LTD	2	3
DL	KAL WEST AUTO	0	1
DL	KANTOLA MOTORS LTD	1	0
DL	GUELPH JEEP EAGLE	3	0
DL	KAYDEE MOTORS LTD	5	12
DL	KEANEY PLYM CHRY INC	5	7
DL	KELLEHER LINCOLN MERCURY	0	1
DL	KELOWNA AUTOMALL LSG	81	51
DL	KELOWNA TOYOTA LSG LTD	3	0
DL	KEN SHAW MOTORS LTD	30	9
DL	KENMOUNT FORD SALES LTD	48	59
DL	KENNEDY FORD LTD	0	1
DL	KENNEDY NATIONAL LSG LTD	191	113
DL	KERR CAD PONT BUICK LTD	6	2
DL	KERV JOHNSTON MOTORS LTD	21	12
DL	KEYSTONE AUTO LSG LTD	37	4
DL	KEYWEST FORD LTD	2	3
DL	KIESWETTER MOTORS INC	17	13
DL	KING CITY MOTOR SALES LTD	1	1
DL	KING TOYOTA INC	4	4
DL	KINGCHURCH AUTOMOBILE INC	6	2
DL	KINGSCROSS MOTORSPORTS INC	8	0
DL	KINGSTON DODGE CHRY LTD	16	5
DL	KINGSTON VOLKSWAGEN LTD	9	1

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	KINGSWAY LEXUS TOYOTA INC	61	55
DL	KIPP SCOTT PONT BUICK LSG LTD	27	15
DL	KIRBY INT'L TRUCKS LTD	16	0
DL	KOLLBEC AUTOMOBILE INC	1	0
DL	KEN EVANS FORD MERCURY	1	0
DL	KENWOOD FORD SALES LTD	0	1
DL	KIPP SCOTT PONT BUICK LTD	162	153
DL	KOCH LINCOLN MERCURY LTD	114	85
DL	KOKANEE FORD SALES LTD	1	0
DL	K W AUTO SALES & LSG	25	9
DL	KENPOK INT'L AUTOMOBILE	1	0
DL	K MILLER ENT LSG LTD	2	0
DL	KAIEN FORD LSG LTD	2	0
DL	KAMLOOPS HONDA CARS LSG LTD	1	1
DL	KAMLOOPS HONDA CARS LTD	5	5
DL	KATMAR LSG INC	1	1
DL	KEITH PONT BUICK GMC LTD	8	39
DL	KEN AUTO LSG LTD	1	0
DL	KERR CAD PONT BUICK LSG LTD	63	50
DL	KETTLE VALLEY DODGE CHRY	6	2
DL	KEYWEST FORD LSG LTD	15	0
DL	KING GEORGE NISSAN LSG LTD	9	18
DL	KLONDIKE MOTORS LTD	0	3
DL	KITCHENER NISSAN INC	1	0
DL	KIRKLAND CHRY LTD	4	7
DL	KELOWNA TRUCKS PLUS	45	1
DL	KALLAL PONT BUICK GMC LTD	0	1
DL	KENT COUNTY CHRY DODGE LTD	1	2
DL	KNIGHT CHEV OLDS CAD	0	1
DL	KICKING HORSE FORD MERCURY	0	1
DL	KELOWNA CHRY DODGE LTD	3	2
DL	KELOWNA INFINITI NISSAN	1	1
DL	KING GEORGE NISSAN LTD	12	10
DL	KINGLAND FORD MERCURY LTD	6	1
DL	KISCO AUTO INC	2	0
DL	KLEAN AUTO LSG	1	0
DL	KRAMER MAZDA	0	1
DL	KELOWNA CHRY DODGE LSG LTD	30	49
DL	L&H MOTORS LTD	5	2
DL	L K KAR KING AUTO LSG LTD	6	2
DL	L SMITH AUTO LSG LTD	20	22
DL	L D AUTO INC	1	0
DL	LA MAISON DE L AUTO H INC	1	0
DL	LA SEIGNEURIE PONT BUICK INC	2	1
DL	LACHINE FORD INC	2	0
DL	LACHINE MAZDA LTD	0	1
DL	LAKESHORE MOTOR OF KIRKLAND LK	4	2
DL	LAKEVIEW AUTO SALES & SERVICE	3	1
DL	LAKING TOYOTA INC	32	21
DL	LALLIER AUTOMOBILE INC	207	324
DL	LALLO MOTORS LTD	2	0
DL	LALLY SALES & SERVICE LTD	14	1
DL	LAMONTAGNE AUTO LTEE	2	1
DL	LAND MERCURY SALES LTD	6	4
DL	LANDMARK MOTORS LTD	1	0
DL	LANDMARK VEHICLE LSG CORP	263	136
DL	LANDRY AUTOMOBILE LTEE	1	1
DL	LANGE & FETTER MOTORS LTD	8	8
DL	LANGLEY HYUNDAI	3	0
DL	LANGLEY TOYOTATOWN LTD	12	12
DL	LANGLOIS LOCATION D AUTO INC	0	3
DL	LAPOINTE BROS CHRY LTD	1	0
DL	LARRY HUDSON PONT BUICK GMC	3	0
DL	LARRY MACDONALD CHEV OLDS	26	14
DL	LARRY MACKENZIE AUTO LSG	4	5
DL	LAURENTIAN MOTORS LTD	34	25
DL	LAWRENCE PARK MOTORS LTD	13	1
DL	LAWTON BROS AUTO LTD	2	0
DL	LE CENTRE DE L AUTO ROUSSILLON	1	0

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
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DL	LE DOMAIN DE L AUTO P A T LTE	0	1
DL	LE RELAIS CHEV OLDS LTEE	169	124
DL	LEASE TRUCK INC	14	16
DL	LEASEMASTER NATIONAL	184	118
DL	LEAVENS LONDON MOTORS LTD	10	4
DL	LEEDS TRANSIT SALES LTD	3	2
DL	LEGGAT NATIONAL LSG LTD	520	441
DL	LEGGAT PONT BUICK CAD	14	4
DL	LEGGAT SATURN	8	6
DL	LEO AUTOMOBILE LTEE	0	1
DL	LES AUTOMOBILES CANDIAC INC	0	1
DL	LES AUTOMOBILES CHABOT INC	1	0
DL	LES AUTOMOBILES LA SEIGNEURIE	2	60
DL	LES AUTOMOBILES SAGAMIE INC	8	0
DL	LES AUTOMOBILES SIMARD INC	1	0
DL	LES AUTOS ECONOMIQUES CASAVANT	0	1
DL	LES GALERIES FORD INC	1	0
DL	LES LOCATIONS D AUTOS MOHAWK	1	0
DL	LES LOCATIONS VIEELLES FORGES	3	5
DL	LES VENTES CASTEL MERCURY	17	5
DL	LESLIE MOTORS LTD	3	0
DL	LESSARD PLYM CHRY INC	0	1
DL	LESTAGE & FILS LTEE	1	10
DL	LETHBRIDGE NISSAN LTD	1	0
DL	LEWIS MOTOR SALES INC	1	0
DL	LINCOLN HEIGHTS MERCURY	1	0
DL	LINDSAY DODGE CHRY LTD	16	13
DL	LIONEL GRENIER AUTOMOBILES INC	6	6
DL	LISTOWEL CHRY DODGE LTD	4	2
DL	LITTLE BROS LSG LTD	30	14
DL	JULES BAILLOT & FILS LOCATION	29	8
DL	LOCATION CHARLESBOURG TOYOTA	54	18
DL	AUTOMOBILES VAL ESTRIE LOCATIO	1	0
DL	LOCATION DE VOITURE TURPIN ENR	44	21
DL	LOCATION DESJARDINS INC	355	1492
DL	LOCATION DU PARC INC	4	2
DL	FORTIER AUTO LOCATION LTEE	172	44
DL	LOCATION G A N INC	21	8
DL	LOCATION J M P LTEE	44	15
DL		74	0
DL	LOCATION LA MALBAIE INC	17	15
DL	LOCKHART MOTOR SALES LTD	4	5
DL	LOMBARDI AUTOS LOCATION LTEE	123	87
DL	LONDON CITY PLYM CHRY	3	2
DL	LONDON MOTORCARS LTD	1	2
DL	LORIS CONNELL MOTOR LTD	4	3
DL	LUDLOW GARAGE LTD	5	1
DL	LUMAR AUTO LTD	6	2
DL	LUSSIER PONT BUICK GMC LTEE	29	33
DL	LACOMBE FORD MERCURY LTD	13	1
DL	LAKELAND FORD SALES LTD	0	1
DL	LONDONDERRY PLYM CHRY	2	0
DL	LAKE CITY FORD LSG LTD	1	0
DL	LAKE MOTORS LSG INC	1	0
DL	LAKE MOTORS INC	56	22
DL	LAKEHEAD MOTORS LSG LTD	54	38
DL	LANGILLE CHRY LTD	4	0
DL	LANGLEY MAZDA	2	9
DL	LANGLEY NISSAN LSG	35	21
DL	LANGLEY NISSAN INC	16	6
DL	LANGLEY TOYOTATOWN LSG LTD	1	0
DL	LANSDOWNE HYUNDAI LTD	18	16
DL	LANSDOWNE SATURN SAAB ISUZU	27	13
DL	LAWSON OATES CHRY LSG LTD	4	0
DL	LAWTON BROS AUTO LSG LTD	10	0
DL	LEASEALL CORP	6	0
DL	LEDUC MOTORS	2	1
DL	LEE HYUNDAI INC	1	0
DL	LEES SERVICES & USED CARS	1	0

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	LINDER ARMITAGE DEVELOPMENTS	0	3
DL	LOCATION D AUTOS RIVE SUD	1	1
DL	LOCATION FICHAULT INC	3	0
DL	LOCATION FOURNIER INC	2	0
DL	LOCATION MANICOUAGAN INC	2	0
DL	LOUGHED ACURA	2	0
DL	LOUGHED IMPORTS LTD	1	1
DL	LOUNSBURY LSG CO LTD	527	401
DL	LOCATION AUTO 440	8	2
DL	LEE MUNRO CHEV GEO OLDS	9	6
DL	LOCATION MCGROUPE INC	35	5
DL		3	16
DL	LANDROVER OF Langley	6	1
DL	Langley Chry LSG	8	4
DL	LANSDOWNE AUTO SALES	12	0
DL	LAND ROVER OF RICHMOND	0	4
DL	LEIGHTON CHRY LTD	0	1
DL	LAWRENCE AUTO INC	4	0
DL	LANGLEY HONDA INC	6	9
DL	LANGLEY MAZDA LSG	0	1
DL	LEGGAT CHEV GEO OLDS	3	1
DL	LES CAMIONS INTL	2	3
DL	LOCATION MERCURY DES LAURENTID	4	0
DL	LES CAMIONS INTL AIRL LSG	28	3
DL	LANDMARK VEHICLE CORP	5	0
DL	LEVIS DODGE CHRY INC	1	1
DL	LOCATION P BOULANGER INC	9	3
DL	LYNN WOOD CHEV OLDS LTD	2	0
DL	MSA FORD LSG LTD	22	1
DL	M W MOTORS LTD	4	0
DL	MACDONALD PONT BUICK GMC LSG	3	24
DL	MACIVER DODGE LTD	10	4
DL	MACLIN FORD LSG LTD	5	0
DL	MACMASTER PONT BUICK CAD	5	0
DL	MACPHEE PONT BUICK GMC LTD	373	239
DL	MACPHERSON CHEV OLDS CAD	58	0
DL	MAGWOOD MOTORS LTD	6	0
DL	MAIN STREET AUTO LTD	15	6
DL	MAITLAND LEWIS ENT LTD	27	15
DL	MANKOTA TRADING LTD	1	0
DL	MANLEY MOTORS LTD	5	2
DL	MAPLE RIDGE CHRY LSG LTD	0	6
DL	MARANELLO MOTORS LTD	35	19
DL	MARIGOLD LINCOLN MERCURY	0	1
DL	MARINER VEHICLE LSG LTD	13	7
DL	MARJAK SERVICES LSG LTD	196	84
DL	MARK MOTORS LTD	0	2
DL	MARKHAM FINE CARS LSG LTD	1	0
DL	MARKVILLE LINCOLN MERCURY	56	52
DL	MARLIN CHEV OLDS INC	2	1
DL	MARV JONES HONDA LTD	5	4
DL	MARVIN STARR PONT BUICK LTD	347	233
DL	MASCERRI INVESTEMENTS INC	16	15
DL	MCALPINE FORD LINCOLN MERC	4	5
DL	MCARTHUR IN MARKHAM LTD	36	9
DL	MCDONNELL MOTORS LTD	2	0
DL	JIM THOMPSON PLYM CHRY	9	7
DL	MCLAUGHLIN CHEV OLDS	14	1
DL	MCLEAN LSG INC	3	1
DL	MCMAHON CHEV OLDS LTD	0	3
DL	MCNAUGHT VEHICLE LSG	2	0
DL	MCQUARRIE CHEV OLDS PONT	0	5
DL	MEADOW MILLS PONT BUICK	57	34
DL	MELODY MOTORS LSG LTD	1	0
DL	MENDES MOTORS LTD	6	2
DL	MERAY MOTORS LTD	14	4
DL	MERCIER NISSAN INC	0	1
DL	MERLIN MOTORS INC	1	1
DL	METRO FORD LSG LTD	2	0

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	METRO INT'L TRUCKS LTD	1	5
DL	METRO MOTORS LSG LTD	25	3
DL	METRO PLYM CHRY LTD	25	12
DL	METRO PACIFIC HOLDINGS LTD	0	1
DL	MICH O' TOMOBILE LTEE	1	1
DL	MICHAEL BOYER PONT BUICK	132	107
DL	MICHAEL DAVIES PLYM CHRY	4	1
DL	MICHAEL MOTORS LTD	2	0
DL	MID CANADA TRUCK SERVICES LTD	41	32
DL	MID COUNTY FORD SALES LTD	3	2
DL	MIDLAND TOYOTA INC	0	1
DL	MIDWAY CHRY PLYM LTD	1	1
DL	MIDWAY MOTORS LTD	14	16
DL	MIEDEMA MOTOR SALES LTD	0	1
DL	MIKE DOYLE GARDNER MOTORS	12	6
DL	MIKE FAIR CHEV OLDS LTD	7	0
DL	MILLE ISLES AUTO LTEE	2	0
DL	MILLS & HADWIN LTD	65	42
DL	MILLWOOD HONDA LTD	1	0
DL	MILTON CHRY DODGE LTD	11	5
DL	MOE CAMPBELL LINCOLN MERC	2	2
DL	MOHAWK PONT BUICK LTD	5	2
DL	MONCTON CHRY DODGE LTD	0	29
DL	MOTION LINCOLN MERCURY LTD	3	0
DL	MOTOR FANS AUTO LSG INC	1	0
DL	MOYNES FORD LSG LTD	5	0
DL	MULTILAND INVESTMENTS LTD	34	16
DL	MURRAY GARAGE LSG	0	2
DL	MUSKOKA BAY MOTORS LTD	3	2
DL	MUSSALEM CHEV OLDS LSG LTD	9	2
DL	MYERS CHEV OLDS CAD LTD	2	1
DL	MYERS CHEV OLDS CAD LSG LTD	186	120
DL	MARLBOROUGH FORD LTD	7	6
DL	MARTIN CHRY LTD	4	8
DL	MCNAUGHT PONT BUICK CAD	2	3
DL	MGM LINCOLN MERCURY LTD	3	2
DL	MILLS METRO MAZDA	10	5
DL	MOUNTVIEW DODGE CHRY LTD	1	0
DL	MACDONALD CHRY LTD	32	28
DL	MAGOG FORD INC	1	0
DL	MEADOWVALE FORD	47	34
DL	MEMPHRE PONT BUICK INC	1	0
DL	MID NORTH MOTORS LTD	17	4
DL	MIDDLEGATE HONDA LSG LTD	16	15
DL	MIKE HUTCHINSON LSG LTD	5	3
DL	MISSISSAUGA TOYOTA INC	82	59
DL	MORIN LOCATION INC	5	1
DL	M&M CAR SALES	0	1
DL	M&M PONT BUICK GMC LTD	2	0
DL	MAIN STREET AUTO LSG LTD	62	39
DL	MARKHAM FINE CARS LTD	13	17
DL	MAROSTICA MOTORS LTD	4	3
DL	MARVIN STARR NATIONAL LSG	3	0
DL	MAZZUCA CHRY INC	2	0
DL	MCCALLUM JEEP EAGLE LTD	3	0
DL	MCDONNELL MOTORS LSG LTD	0	1
DL	MEGILL STEPHENSON CO LTD	7	5
DL	METRO LEXUS TOYOTA LSG	616	525
DL	MEWS CHEV OLDS LSG LTD	3	1
DL	MISSLER SATURN SAAB ISUZU	13	4
DL	MJB AUTO & EQUIPMENT SALES	0	1
DL	16	0
DL	MORREY SATURN SAAB ISUZU	25	20
DL	MACDONALD PONT BUICK GMC	24	88
DL	MACLIN FORD LTD	114	83
DL	MCKAY PONT BUICK LTD	224	162
DL	MELODY MOTORS LTD	0	1
DL	METRO FORD LTD	87	58
DL	METRO NISSAN INC	1	0

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	METRO TOWN MAZDA LTD	12	3
DL	MICHAUD AUTOMOBILES INC	4	1
DL	MICOR AUTO INC	41	16
DL	MIDDLEGATE HONDA LTD	10	8
DL	MOHAWK FORD LTD	4	1
DL	MONTMORENCY FORD LTEE	3	0
DL	MORREY NISSAN LTD	35	13
DL	MSA FORD LTD	1	0
DL	MURRAY CHEV OLDS CAD	2	3
DL	MARKHAM DODGE CHRY LTD	173	122
DL	MELMAR MOTORS INC	38	17
DL	MEYER HOLLAND MOTORS LTD	0	1
DL	MAGOG CONCEPT CHRY INC	1	0
DL	MONT BLEU FORD LTD	7	1
DL	MIDWEST MOTORS LSG	1	0
DL	MARQUIS LSG	0	1
DL	MARSHALL AUTOMOTIVE PR LTD	23	1
DL	MAYFAIR SATURN SAAB ISUZU	4	0
DL	MCCUTCHEON MOTORS LTD	8	3
DL	MEADOW MILLS PONT BUICK LSG	0	5
DL	METRO MAZDA	2	0
DL	METRO TOWN MAZDA LSG LTD	1	1
DL	MGM LINCOLN MERCURY LSG LTD	92	58
DL	MILLS NISSAN LTD	0	3
DL	MORREY NISSAN LSG LTD	1	0
DL	NEPEAN MOTORS LSG LTD	9	4
DL	NEWPORT MOTORS LSG LTD	335	203
DL	NIAGARA MOTORS LTD	7	4
DL	NICOL AUTO INC	2	0
DL	NORTH BAY CHRY LTD	5	1
DL	NORTH BAY MAZDA LTD	3	7
DL	NORTH BAY TOYOTA LTD	29	21
DL	NORTH KAMLOOPS MOTORS LTD	0	1
DL	NORTH TORONTO AUTO LSG LTD	0	2
DL	NORTH YORK CHEV OLDS LTD	409	269
DL	NORTH YORK LSG LTD	58	43
DL	NORTHEAST AUTO LTD	31	12
DL	NORTHERN MOTORS LTD	2	0
DL	NORTHGATE PONT BUICK GMC LTD	2	0
DL	NORTHLAND VOLKSWAGEN LTD	1	0
DL	NORTHUMBERLAND PONT BUICK	84	46
DL	NORTHWAY CHRY MOTORS LTD	12	9
DL	NORTHWAY MERCURY LTD	9	5
DL	NORTHWEST MOTORS LTD	1	0
DL	NORTHWEST PREMIER AUTO	1	0
DL	NUMBER 7 HONDA SALES LTD	1	0
DL	NICHOLSON CHEV OLDS LSG LTD	127	54
DL	NATIONWIDE MOTORS LSG LTD	39	4
DL	NANAIMO HONDA CARS	0	3
DL	NORAL MOTORS LTD	1	1
DL	NORLAN CHRY INC	5	19
DL	NORTH HILL MOTORS LTD	0	1
DL	NORTH POINTE CHEV GEO OLDS	13	0
DL	NORTRENT INVESTMENTS LTD	2	2
DL	NELSON CHRY LTD	1	1
DL	NEWPORT PONT BUICK GMC LTD	1	1
DL	NICHOLSON CHEV OLDS LTD	9	8
DL	NORTH TORONTO AUTO LTD	3	0
DL	NORTHSIDE TOYOTA LTD	29	17
DL	NORTH STAR MOTORS LSG LTD	0	1
DL	NBS AUTO LSG LTD	143	89
DL	NINTH AVE AUTO MART	0	1
DL	NORTHLAND PONT BUICK GMC LTD	0	2
DL	NORTH STAR FORD MERCURY SALES	1	0
DL	NICOL MOTOR SALES LTD	1	0
DL	NELSON MOTORS & EQUIPMENT	4	1
DL	NEWPORT MOTORS LTD	3	2
DL	NORTH VANCOUVER SUZUKI LTD	19	13
DL	NORTHWEST HONDA CENTER	0	1

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	NUNN LSG INC	3	4
DL	NUNN LTD	0	2
DL	NORTH POINTE CHEV GEO OLD LSG	19	31
DL	OCONNOR DODGE CHRY LSG LTD	2	0
DL	OLEARY PONT BUICK GMC LSG LTD	4	1
DL	OREGAN MOTORS LTD	15	3
DL	OAKHILL LSG LTD	15	3
DL	OAKLAND LINCOLN MERCURY	111	65
DL	OAKLEY MOTORS LSG LTD	31	16
DL	OAKRIDGE FORD LTD	9	9
DL	OAKVILLE DODGE CHRY LTD	7	8
DL	OAKVILLE NISSAN LTD	0	1
DL	OAKVILLE TOYOTA LTD	16	8
DL	OAKVILLE VOLKSWAGEN INC	32	13
DL	OCEAN PARK FORD LTD	0	5
DL	OCEAN PARK FORD LSG INC	2	0
DL	OGILVIE MOTORS LTD	0	1
DL	OLD MILL PONT BUICK CAD	135	125
DL	OLDS FORD MERCURY LSG LTD	1	0
DL	ONT MOTOR SALES LTD	152	30
DL	ORANGEVILLE CHRY LTD	16	10
DL	ORBIT MOTORS	1	1
DL	ORCHARD FORD LSG LTD	16	0
DL	ORILLIA DODGE CHRY INC	1	1
DL	ORLEANS DODGE CHRY INC	43	17
DL	OTTAWA MOTOR LTD	65	26
DL	OVERSEAS MOTORS INC	23	12
DL	OWASCO VOLKSWAGEN INC	4	5
DL	OXFORD LEASeway LTD	129	98
DL	ONT PLYM CHRY LTD	30	15
DL	OKANAGAN PLYM CHRY LTD	10	2
DL	OKANAGAN RV CENTRE	1	0
DL	OREGAN CHEV OLDS LTD	3	3
DL	OWNE SATURN SAAB ISUZU	6	3
DL	OCONNOR DODGE CHRY LTD	126	96
DL	OLDS FORD MERCURY LTD	14	8
DL	ORION CHEV OLDS LTD	3	4
DL	OCEAN PACIFIC CAR CO INC	0	1
DL	OVATION AUTO SALES & LSG	1	2
DL	OAKVILLE MOTORS LSG LTD	0	1
DL	ORION MOTORS INC	1	0
DL	OTTAWA CARLETON LSG LTD	1	2
DL	OREGAN MOTORS LSG LTD	245	185
DL	OKANAGAN PLYM CHRY LSG LTD	0	1
DL	P H ARMSTRONG AUTO LTD	45	39
DL	PEACE ARCH MOTORS LSG LTD	83	48
DL	PAPIN MERCURY LTEE	2	1
DL	PARE CHEV OLDS INC	1	0
DL	PARK AVENUE CHEV OLDS	2	0
DL	PARK AVENUE CHEV OLDS LSG	912	530
DL	PARK LINCOLN MERCURY SALES LTD	2	0
DL	PARK SHORE MOTORS LSG LTD	3	0
DL	PARKER MOTORS LSG LTD	1	0
DL	PARKWAY AUTOMOTIVE LTD	124	83
DL	PARKWAY FORD	25	16
DL	PARKWAY MOTORS LSG LTD	1	0
DL	PARKWAY TOYOTA LTD	50	28
DL	PATTERSON MOTORS LTD	1	0
DL	PAUL CORNIES FORD LSG	33	22
DL	PAUL FOY PONT BUICK GMC	17	3
DL	PAULTOM MOTORS LTD	18	10
DL	PEACE ARCH MOTORS LTD	1	1
DL	PEEL CHRY PLYM INC	2	0
DL	PENINSULA FORD MERCURY SALES	1	0
DL	PENNER CHEV OLDS LTD	1	1
DL	PENTICTON LSG INC	7	6
DL	PERFORMANCE CARS LTD	36	21
DL	PERFORMANCE MAZDA OTTAWA INC	7	2
DL	PERFORMANCE TOYOTA LTD	1	0

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	PETAWAWA TOYOTA LTD	1	2
DL	PETERBOROUGH VOLKSWAGEN LTD	2	0
DL	PETERSEN PONT BUICK GMC	117	87
DL	PETRIC FORD LTD	3	4
DL	PETTIT MOTOR SALES HAMILTON	3	1
DL	PICCOTT LTD LSG	3	0
DL	PICKERING TOYOTA LTD	0	6
DL	PIE IX DODGE CHRY INC	12	5
DL	PINEVIEW PONT BUICK	215	162
DL	PINERIDGE MERCURY SALES LTD	0	2
DL	PINEWOOD MERCURY LTD	5	0
DL	PLAZA AUTO LSG	1	0
DL	PLAZA CHEV OLDS CAD INC	283	142
DL	PLAZA NISSAN LTD	41	32
DL	PLAZA PONT BUICK GMC LTD	130	106
DL	POLITO LINCOLN MERCURY SALES	2	0
DL	POTHIER MOTORS LTD	4	6
DL	POULIOT CHEV OLDS LSG LTD	0	1
DL	PRACTICAL CAR LSG LTD	0	1
DL	PRECISION MOTOR CARS LTD	6	0
DL	PREMIER AUTO LSG LTD	131	93
DL	PROBART MOTORS LTD	2	1
DL	PROGROUP LSG INC	69	66
DL	PRUNER FORD LSG LTD	2	0
DL	PARKSVILLE CHRY LSG LTD	11	0
DL	PIONEER CHRY LTD	17	16
DL	PYE CHEV OLDS CAD LTD	72	111
DL	PARK CITY TOYOTA LTD	4	1
DL	PARKVIEW AUTO SALES & LSG	0	1
DL	PROCAN LSG LTD	2	0
DL	P E BOISVERT AUTO LTEE	42	22
DL	PACIFIC MAZDA LTD	29	11
DL	PARKLANE MOTORS LTD	12	1
DL	PARKSIDE FORD LTD	2	1
DL	PARKWAY PONT BUICK INC	16	19
DL	PARKWOOD CENTRAL LTD	84	37
DL	PAUL GAMÉLIN & FILS INC	8	10
DL	PAUL SADLON MOTORS INC	2	0
DL	PEMBINA DODGE CHRY LTD	2	0
DL	PINE TREÉ MERCURY LTD	162	132
DL	PINEWOOD PARK MOTORS INC	3	1
DL	POINTE CLAIRE CHRY PLYM	15	5
DL	POULIOT CHEV OLDS LTD	3	0
DL	PRECISION HOLDINGS LTD	2	1
DL	PROULX PONT BUICK LTEE	1	1
DL	PREMIER PLYM CHRY INC	1	1
DL	PRT CUMMINS DIESEL LTD	3	0
DL	PACIFIC INTL CAR	0	2
DL	PACIFIC HONDA LTD	30	13
DL	PAQUET NISSAN INC	0	1
DL	PARKWAY PLYM CHRY LTD	24	15
DL	PERFORMANCE CARS LSG LTD	0	1
DL	PIE IX DODGE CHRY LSG INC	0	42
DL	PERFORMANCE IMPORTS	13	6
DL	PHIL WALKER FORD LTD	68	72
DL	QEW 427 DODGE CHRY INC	22	3
DL	QUEENSWAY AUTO LSG LTD	32	14
DL	QUEENSWAY VOLKSWAGEN INC	0	1
DL	QUICK TRUCK LSG LTD	0	1
DL	QUINELLA AUTO LSG LTD	2	0
DL	QUEENS CHRY LTD	1	1
DL	QUEENSTON LSG	3	1
DL	QUILL PLAINS PONT BUICK LTD	8	4
DL	QCI MOTORS LTD	23	4
DL	R A MILLER MOTORS LTD	1	1
DL	REA TRUCK SALES LTD	1	0
DL	RACE MOTORS LTD	27	11
DL	RACEWAY PLYM CHRY LTD	44	23
DL	RAY CUNNINGHAM PRESTIGE MOTORS	9	5

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	RAYMOND JEEP EAGLE	6	5
DL	READY MOTORS IMPORT LTD	1	0
DL	REG MCGEE & SONS LTD	0	3
DL	REGINA MOTOR PRODUCT LTD	6	2
DL	REID BROS MOTOR SALES LTD	2	3
DL	RENDEZVOUS MAZDA LTD	6	0
DL	REPENTIGNY TOYOTA INC	1	0
DL	REVELL MOTORS LTD	40	23
DL	REXDALE JEEP EAGLE LTD	26	13
DL	RICHARD LSG INC	0	1
DL	RICHMOND HILL HONDA LTD	12	9
DL	RICHMOND MOTORS LTD	2	0
DL	RICHMOND NISSAN LSG LTD	14	0
DL	RICHPORT FORD LSG LTD	3	0
DL	RIDGEHILL FORD SALES LTD	2	3
DL	RIVE SUD PLYM CHRY LTD	0	1
DL	RIVERSHORE JEEP EAGLE LSG LTD	6	1
DL	RIVerview LINCOLN MERCURY	1	8
DL	ROADSPORT AUTO LSG LTD	1	0
DL	ROADSPORT AUTO INC	2	1
DL	ROBERT BIRON LTEE	11	2
DL	ROBERT CHEV OLDS LTD	0	1
DL	ROBERT EVANS CHEV OLDS	79	41
DL	ROBERTSON MOTORS LSG LTD	74	37
DL	ROBIN THOMPSON MOTORS LTD	1	1
DL	ROBINSON PLYM CHRY LTD	5	2
DL	ROBINSON PONT BUICK LTD	8	2
DL	ROCOTO LTEE	2	0
DL	RON HODGINS CHEV OLDS LTD	1	0
DL	RON HODGINS CHEV OLDS LSG LTD	1	0
DL	RON MAY PONT BUICK GMC LSG LTD	1	0
DL	ROND POINT DODGE CHRY LTD	10	0
DL	ROSE CITY DODGE CHRY LTD	8	20
DL	ROSE CITY FORD LTD	145	18
DL	ROSELAND MOTORS LTD	0	2
DL	ROSS HAWKINS INC	3	2
DL	ROUSSEAU & FILLE AUTOMOBILES	2	0
DL	ROWLAND LINCOLN MERCURY	5	3
DL	ROY FOSS MOTORS LSG LTD	294	208
DL	ROY NICHOLS MOTORS LTD	3	1
DL	ROYAL CHEV OLDS CAD INC	16	12
DL	ROYAL CITY PLYM CHRY	50	28
DL	ROYAL PONT BUICK CAD	1	1
DL	ROYAL WOODS LINCOLN MERC	1	0
DL	ROYALTY AUTO LSG LTD	4	1
DL	ROY PONT BUICK CAD	10	2
DL	RUSSELL MOTORS LSG LTD	9	3
DL	RUSSELLE TOYOTA INC	9	1
DL	RED DEER TOYOTA LTD	0	1
DL	RICHMOND HONDA CARS LSG LTD	199	130
DL	RIMBEY FORD MERCURY SALES	1	1
DL	ROY LEGGAT FORD SALES LTD	28	14
DL	REGENCY AUTO SALES LSG INC	2	1
DL	REGENCY LEXUS TOYOTA INC	0	1
DL	REGENCY CHRY PLYM LTD	58	74
DL	REGENCY LEXUS TOYOTA LSG INC	3	0
DL	RODEO FORD SALES LTD	1	0
DL	RAINBOW CHRY LTD	1	0
DL	RAYMOND MOTORS CO LTD	1	1
DL	REGENCY PONT BUICK LSG	6	4
DL	RICHMOND ACURA	18	8
DL	RICHMOND HILL LSG LTD	5	5
DL	RICHMOND LEXUS TOYOTA LTD	8	1
DL	RICHMOND MAZDA	36	15
DL	RIVERSIDE CHRY PLYM	10	3
DL	RIVERSIDE FINE CARS LTD	1	0
DL	RIVerview AUTOMOBILES LTD	4	0
DL	RON HODGSON PONT BUICK GMC LSG	2	0
DL	RAY CULLEN CHEV OLDS LTD	177	45

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	REGENCY AUTO SALES INC	1	0
DL	REGENCY HONDA LTD	2	2
DL	RELAI'S TOYOTA INC	16	16
DL	RELIABLE MOTORS LTD	1	1
DL	RESTIGOUCHE MOTORS LTD	0	2
DL	RICHMOND HONDA CARS LTD	135	92
DL	RICHMOND IMPORTS LTD	1	1
DL	RICHMOND NISSAN LTD	2	0
DL	RICHMOND TOYOTA LTD	49	30
DL	RICHPORT FORD LTD	1	1
DL	RIDGEWAY MAZDA LTD	17	10
DL	RON HODGSON PONT BUICK GMC	80	58
DL	RON MAY PONT BUICK GMC LTD	0	1
DL	ROY FOSS MOTORS LTD	2714	1877
DL	RAINBOW FORD MERCURY LTD	0	1
DL	REAUME JONES CHEV GEO OLD	119	27
DL	RUSS URLIN CHEV GEO OLDS	9	0
DL	REGENCY PONT BUICK	4	2
DL	RENFREW CHRY INC	2	2
DL	RIDGEWAY FORD MERCURY SALES	6	0
DL	R U LSG INC	10	18
DL	REMPPEL CHEV OLDS LTD	12	1
DL	RUSSELL MOTORS INC	8	8
DL	RICHMOND VOLVO	33	22
DL	RIVERSHORE PLYM CHRY LTD	5	14
DL	RON CLARK MOTORS & RV	19	1
DL	ROBERT CHEV OLDS LSG LTD	0	1
DL	TILBURY CHRY	0	1
DL	RANCHLAND FORD MERCURY SALES	0	1
DL	REGAL MOTORS LTD	1	0
DL	REGENCY HONDA LSG LTD	31	9
DL	RICHMOND SUZUKI LTD	43	36
DL	RICHMOND LEXUS TOYOTA LSG LTD	84	69
DL	RIDGEWAY MAZDA LSG LTD	1	0
DL	ROCKET LSG LTD	7	0
DL	ROSS WEMP MOTORS LSG INC	248	187
DL	ROSSIGNOL SALES LSG LTD	3	1
DL	REGENCY CHRY PLYM LSG LTD	8	0
DL	RICHMOND ACURA LSG	0	5
DL	RICHMOND MAZDA LSG	1	6
DL	RIVERSHORE PLYM CHRY LSG LTD	0	10
DL	SANDER MOTOR LSG LTD	8	6
DL	SATURN SAAB ISUZU LSG LTD	6	2
DL	SAUNDERS MOTORS CO LTD	2	0
DL	SCARBOROTOWN CHRY DODGE	308	185
DL	SCARBOROUGH NISSAN LTD	22	3
DL	SCARSVIEW PLYM CHRY LTD	2	0
DL	SCHERER LSG INC	622	463
DL	SCHESNUK MOTOR SALES LTD	0	1
DL	SCHLUETER CHEV OLDS LTD	105	68
DL	SCHWAB PONT BUICK GMC LTD	28	6
DL	SCOTIA CHRY INC	143	131
DL	SEASIDE CHEV OLDS LTD	1	0
DL	SEGAL MOTORCAR CO INC	7	1
DL	SENTES CHEV OLDS CAD LSG LTD	206	0
DL	SERAY AUTO INC	1	0
DL	SEVEN VIEW PLYM CHRY LTD	22	7
DL	SHAGANAPPI MOTORS LSG LTD	14	2
DL	SHANAHAN CARRIAGE CO LTD	95	85
DL	SHAW GMC TRUCK CENTRE LTD	5	0
DL	SHAW UNITED LEASE LTD	111	2
DL	SHEFFORD CHRY PLYM LTD	1	0
DL	SHERBROOKE AUTOMOBILE INC	1	1
DL	SHERBROOKE INFINITI LTEE	0	1
DL	SHERWAY AUTOMOTIVE CORP	22	4
DL	SIGALET BROS AUTO LSG LTD	0	1
DL	SIGNATURE LINCOLN MERCURY LSG	139	99
DL	SISLEY MOTORS LTD	7	5
DL	SKAHA FORD MERCURY LSG LTD	106	11

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	SKOOKUM CHRY INC	9	11
DL	LESSOR MOTORS LTD	26	16
DL	SMITH CHEV GEO OLDS LSG LTD	13	14
DL	SMITH LSG LTD	71	104
DL	SONIG LTD	1	0
DL	SORENSEN PAGE CHRY DODGE	12	12
DL	SOUTH LONDON INFINITI NISSAN	9	13
DL	SOUTHBANK DODGE CHRY	29	5
DL	SOUTHSIDE NISSAN LSG LTD	1	0
DL	SOUTHSIDE SERVICE LTD	3	0
DL	SPADONI MOTORS LTD	3	5
DL	ST CATHARINES VOLKSWAGEN LTD	13	0
DL	ST EUSTACHE AUTO LOCATION INC	1	1
DL	ST PIERRE CHEV OLDS	1	0
DL	STAMPEDE FORD MERCURY	4	0
DL	STAMPEDE PONT BUICK LSG LTD	1	0
DL	STAMPEDE TOYOTA LSG LTD	103	103
DL	STAUFFER MOTORS LTD	1	0
DL	STE FOY TOYOTA INC	2	0
DL	STEDELBAUER CHEV GEO OLDS	0	1
DL	STEDELBAUER NATIONAL LSG	57	58
DL	STERNE MOTORS LTD	1	0
DL	STEVE MARSHALL MOTORS LSG LTD	6	7
DL	SCHERER PONT BUICK GMC INC	49	46
DL	STEWART VEHICLE LSG LTD	17	9
DL	STRATFORD MOTOR PRODUCTS	1	0
DL	STRATHROY PLYM CHRY LTD	1	0
DL	STRICKLAND AUTO MART LTD	8	1
DL	STRONACH MOTORS LTD	446	223
DL	STUART BUDD & SONS LTD	241	100
DL	STUART PONT BUICK LTD	68	47
DL	SUBURBAN MOTORS LSG LTD	7	0
DL	SUMMIT MOTORS LSG LTD	57	3
DL	SUNCOAST FORD MERCURY LINC	3	0
DL	SUNRISE PONT BUICK GMC LTD	26	14
DL	SUNRISE TOYOTA LSG LTD	2	0
DL	SUNSHINE FORD MERCURY SALES	0	2
DL	SUPERIOR DODGE CHRY LTD	18	3
DL	SUPERIOR GARAGE LTD	4	1
DL	SURDEL AUTO IMPORTS LTD	11	11
DL	SURGENOR NATIONAL LSG LTD	1396	1227
DL	SURGENOR PONT BUICK LTD	41	22
DL	SAINT JOHN SUZUKI LTD	1	0
DL	SAUVAIGEAU PONT BUICK GMC	4	1
DL	SCHOONER FINANCIAL LTD	15	7
DL	SCHULZ MOTORS LTD	0	1
DL	SMOKY LAKE SALES & SERVICE LTD	3	0
DL	SOUTH TRAIL PLYM CHRY	1	8
DL	SOUTHGATE LSG	7	7
DL	SOUTH PARK PONT BUICK CAD LSG	0	2
DL	SOUTH PARK PONT BUICK CAD	5	3
DL	SOUTHSIDE MOTORS LTD	3	1
DL	SOUTHWEST JEEP EAGLE LSG INC	1	0
DL	SPRINGMAN SATURN SAAB	34	17
DL	SPRUCELAND FORD MERCURY SALES	0	1
DL	ST PAUL SALES & SERVICES	0	1
DL	STACY AUTO RANCH LTD	2	6
DL	STEACY FORD SALES LTD	1	1
DL	STEELE CHRY PLYM LTD	25	38
DL	SUMMIT SATURN	1	3
DL	SUN COUNTRY NISSAN	4	1
DL	SUN TOYOTA LSG LTD	2	35
DL	SUN TOYOTA LTD	31	19
DL	SUNNING AUTO SALES	8	2
DL	SUNRIDGE NISSAN LSG LTD	0	2
DL	SUNRIDGE NISSAN LTD	0	2
DL	SWALLOW FORD MERCURY SALES LTD	0	7
DL	SETAY MOTORS INC	41	25
DL	SHAGANAPPI MOTORS LTD	72	113

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	SHERIDAN LINCOLN MERCURY	93	50
DL	SKAHA FORD MERCURY LTD	1	0
DL	SMITH CHEV GEO OLDS LTD	14	11
DL	SOUTHWEST PONT BUICK GMC	0	1
DL	ST LEONARD NISSAN INC	1	3
DL	STAMPEDE PONT BUICK LTD	33	44
DL	STÉ MARIE AUTO LTEE	2	0
DL	STE THERESE AUTOS INC	4	3
DL	STEVE MARSHALL MOTORS LTD	4	3
DL	STEVENS LINCOLN MERCURY	1	0
DL	STONELEIGH MOTORS LTD	4	2
DL	STÖTHARTS TOYOTA INC	1	0
DL	SUBURBAN MOTORS LTD	0	2
DL	SUMMIT FORD LTD	207	120
DL	SUMMIT MOTORS LTD	1	1
DL	SUNRISE VEHICLE LTD	23	9
DL	SUNSHINE HONDA LTD	39	45
DL	S304 HOLDINGS LTD	3	0
DL	SATURN SAAB ISUZU HALIFAX	6	2
DL	SHAW MOTORS LTD	2	0
DL	SATURN SAAB ISUZU 417 LTD	16	0
DL	STOUFFVILLE CHRY INC	39	35
DL	SHAW PONT BUICK GMC LTD	263	218
DL	SUZUKI OF HALIFAX	0	1
DL	SCOTT PLYM CHRY	15	13
DL	SOUTHWEST CHRY DODGE INC	2	1
DL	S LEE HYUNDAI	1	0
DL	SILVER FOX EXOTIC CAR	1	1
DL	SOUTHERN HYUNDAI	1	0
DL	STE FOY PLYM CHRY INC	0	1
DL	SCOTT PLYM CHRY LSG	0	3
DL	SURREY HYUNDAI	0	2
DL	SUNRISE VEHICLE LSG LTD	6	4
DL	SCOGALL MOTORS LTD	35	37
DL	SCUGOG CHRY LTD	3	1
DL	SELECT AUTO	10	6
DL	SKYCRFT MOTORS INC	19	16
DL	STETTLER MOTORS LTD	2	0
DL	SUNSHINE HONDA LSG LTD	3	1
DL	SELECT AUTO LSG	1	0
DL	SHAW GMC TRUCK CENTRE LSG LTD	2	1
DL	SUPERIOR GARAGE LSG LTD	118	71
DL	SIGNATURE LINCOLN MERCURY	1	0
DL	SOUTHGATE CHEV GEO OLDS	82	97
DL	SOUTHGATE PONT BUICK GMC	0	1
DL	SOUTHSIDE PLYM CHRY LTD	0	1
DL	SQUAMISH FORD LSG LTD	4	0
DL	ST ALBERT DODGE CHRY LTD	14	5
DL	STADIUM NISSAN INC	1	4
DL	SOUTHSHORE TOYOTA LTD	2	0
DL	S&H LSG LTD	129	62
DL	SATURN SAAB ISUZU WINDSOR	22	1
DL	SMITH & WATT LTD	1	1
DL	SORENSEN PONT BUICK GMC LTD	5	5
DL	STEINBACH DODGE CHRY LTD	0	1
DL	TAGGEL AUTOMOBILE INC	1	0
DL	TALBOT MERCURY LTD	4	1
DL	TANTRAMAR MOTORS LTD	50	46
DL	TARA LSG LTD	23	8
DL	TASSE AUTOMOBILES LTD	10	2
DL	TAYLOR CHRY DODGE LTD	19	15
DL	TAYLOR FORD LSG LTD	69	0
DL	DICK IRWIN GROUP LTD	1	1
DL	LAKEHEAD MOTORS LTD	1	0
DL	LAMBTON MOTORS LTD	50	14
DL	PICKERING AUTO CENTRE LTD	1	0
DL	THIBAULT CHEV OLDS LTD	12	11
DL	THOMAS PONT BUICK GMC	2	2
DL	THOMPSON LSG CONSULTANTS	4	1

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	THOR MOTORS LSG LTD	91	3
DL	THOR MOTORS LTD	21	0
DL	THORNHILL FINE CARS INC	8	1
DL	TIM HAINES CHEV OLDS	0	1
DL	TITLEY CHEV OLDS INC	10	5
DL	TLC AUTO CENTER LTD	54	43
DL	TOM SMITH CHEV OLDS LTD	9	2
DL	TOMLINSON PONT BUICK GMC	171	108
DL	TONER PONT BUICK GMC LTD	0	4
DL	TONY GRAHAM MOTORS LTD	134	91
DL	TORONTO DODGE CHRY LTD	52	23
DL	TOTAL FORD LTD	14	5
DL	TOTEM FORD LINCOLN MERCURY LSG	13	0
DL	TOUCHETTE AUTO LOCATION LTEE	2	0
DL	TOWER AUTO LSG & SALES INC	102	29
DL	TOWER FORD TRUCK LTD	5	2
DL	TOWN & COUNTRY CHRY LTD	9	0
DL	TOWN & COUNTRY MOTORS LTD	91	59
DL	TOWNE CHEV OLDS INC	57	26
DL	TOYOTA A STE AGATHE	1	0
DL	TOYOTA MAGOG INC	2	0
DL	TOYOTA PIE IX INC	2	0
DL	TOYOTATOWN LTD	8	7
DL	TRAMWAY AUTO LTD	3	48
DL	TRANS CANADA AUTO LSG	0	2
DL	TRANSOCEANIC FINE CARS LTD	3	0
DL	TRILLIUM PONT BUICK GMC	21	16
DL	TRIUS AUTOMOBILE LSG INC	21	30
DL	TROIS RIVIERES NISSAN INC	0	1
DL	TRUDEAU MOTORS LTD	3	0
DL	TURPIN AUTOS LTD	1	0
DL	TURPIN AUTOS LSG LTD	2	0
DL	TURPIN PONT BUICK LTD	260	151
DL	TUSKET SALES & SERVICE LTD	2	2
DL	TWIN HILLS MERCURY LTD	92	64
DL	TAYLOR LINCOLN MERCURY	10	15
DL	TRURO NISSAN	1	0
DL	TOYOTA GATINEAU	1	0
DL	T&T HONDA LTD	8	10
DL	TONTINE MOTORS LTD	0	1
DL	TOYOTA BAIE DES CHALEURS INC	0	1
DL	TRADEPOWER AUTO LSG	7	0
DL	TAC AUTO LTD	2	4
DL	TAYLOR FORD LTD	6	16
DL	TORINO MOTORS LTD	2	0
DL	TOTEM FORD LINCOLN MERCURY	7	0
DL	TOUCHETTE AUTO LTEE	1	1
DL	TOWER CHRY PLYM LTD	0	2
DL	TOYOTA CENTRE VILLE INC	2	6
DL	TOYOTA DUVAL INC	1	0
DL	TREMBLAY CHEV OLDS PONT	5	3
DL	TRENTO MOTORS LTD	24	95
DL	TOYOTA EAST LTD	2	0
DL	TRI STAR CHRY INC	0	2
DL	TRANSGLOBAL FINE CARS LTD	5	7
DL	T H CHEV GEO OLDS LSG	4	2
DL	TRUE NORTH CHEV GEO OLDS CAD	4	27
DL	TEAM CHRY DODGE INC	8	9
DL	TEAM FORD SALES LTD	0	3
DL	THREE HILLS MOTOR PRODUCTS	35	21
DL	TUSKET TOYOTA LTD	0	1
DL	THIBAULT CHEV OLDS LSG LTD	1	1
DL	UNIONVILLE MOTORS LTD	9	4
DL	UNIVERSAL MERCURY LINCOLN	175	109
DL	UNIVERSAL SALES LTD	0	1
DL	UPPER CANADA MOTOR SALES LTD	1	1
DL	URSA MAJOR HOLDNGS LTD	3	0
DL	UPTOWN FINE CARS INC	1	0
DL	UNIQUE CHRY PLYM LTD	0	3

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	UNIV MAZDA LSG LTD	0	4
DL	UPPER JAMES TOYOTA LTD	14	7
DL	ULMER CHEV OLDS CAD LTD	0	1
DL	VAILLANCOURT CHEV OLDS LTD	1	0
DL	VALLEY CHRY DODGE INC	15	21
DL	VALLEY JEEP EAGLE INC	14	3
DL	VANCE MOTORS LTD	10	4
DL	VANCOUVER AUTO LSG LTD	7	0
DL	VEE EIGHT MOTORS LSG LTD	13	3
DL	VEE EIGHT MOTORS LTD	6	2
DL	VENTES FORD ELITE INC	0	1
DL	VENTURE FORD LTD	29	19
DL	VERNON MOTOR PRODUCTS LSG LTD	1	0
DL	VILLAGE MOTORS LTD	37	73
DL	VILLAGE NISSAN LTD	2	1
DL	VIOLETTE MOTORS LTD	1	0
DL	VOLKSWAGEN VICTORIAVILLE INC	0	1
DL	VARSITY PLYM CHRY	22	22
DL	VALENTINE VOLVO LTD	6	2
DL	VANCOUVER HONDA LTD	16	5
DL	VEGREVILLE FORD MERCURY	1	0
DL	VERNDALE AUTO	6	0
DL	VIP CANADIAN AUTOMOTIVE	1	0
DL	VIP MAZDA LSG LTD	15	11
DL	VIP MAZDA LTD	26	7
DL	VICKAR COMM CHEV GEO OLDS	0	1
DL	VERNON CHRY DODGE LTD	4	1
DL	VULCAN FORD MERCURY SALES LTD	1	0
DL	VAL ALBERT MOTORS LTD	1	4
DL	VALLEY LSG CORP	0	1
DL	VANCOUVER SUZUKI LTD	2	1
DL	VICTORIA LADA	2	0
DL	VICTORIA STAR MOTORS INC	5	1
DL	W&P MOTORS LSG LTD	40	14
DL	WAEKENS CHRY DODGE PLYM LTD	1	0
DL	WALKERTON MOTOR SALES LTD	2	1
DL	WALLIS MOTORS LSG LTD	2	2
DL	WARREN BURD MOTORS LSG LTD	2	0
DL	WATERLOO DODGE CHRY LTD	10	2
DL	WATERLOO IMPORTED CARS INC	3	1
DL	WATERLOO LSG INC	1	0
DL	WATERLOO MERCURY LTD	49	25
DL	WATERLOO TOYOTA LSG LTD	5	6
DL	WAYCON INTL TRUCKS LTD	0	1
DL	WAYNE PITMAN FORD SALES INC	3	0
DL	WEBER MOTORS LSG LTD	1	9
DL	WEEDON AUTOMOBILE INC	1	1
DL	WEILAND FORD SALES LTD	9	6
DL	WELLAND NISSAN LTD	2	0
DL	WELLINGTON MOTORS LTD	3	3
DL	WELLS FORD MERCURY SALES LTD	2	0
DL	WENDELL MOTOR LTD	14	10
DL	WESTCOAST MOTORS LSG LTD	1	0
DL	WESTEND MOTORS LSG LTD	16	13
DL	WESTEND MOTORS LTD	4	3
DL	WEST YORK CHEV OLDS INC	118	62
DL	WESTBORO AUTO IMPORTS LTD	1	2
DL	WESTERGARD MOTORS	2	0
DL	WESTMINSTER AUTO LSG LTD	562	416
DL	WESTON AUTO LSG LTD	81	45
DL	WESTPORT CHRY DODGE LTD	2	0
DL	WESTWOOD CHEV OLDS	46	28
DL	WETASKIWIN MOTORS LSG LTD	7	0
DL	WEYMOUTH MOTORS LTD	2	1
DL	WHARNCLIFFE PLYM CHRY	8	3
DL	WHEATON CHEV OLDS GEO LTD	4	1
DL	WHEATON PONT BUICK GMC LTD	2	8
DL	WHEELS AUTOMOTIVE LSG LTD	160	127
DL	WHITBY TOYOTA CO	10	9

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	WHITEOAK LINCOLN MERCURY SALES	8	9
DL	WIETZES MOTORS LTD	8	19
DL	WILDERS MOTORS INC	17	25
DL	WILDFOOD FORD LTD	2	1
DL	WILLIAM MCKINSTRY LTD	2	0
DL	WILLIAM CHEV OLDS CAD LTD	2	0
DL	WILLIAMSON MOTORS	1	3
DL	WILLOWBROOK MOTORS LSG LTD	13	0
DL	WILLOWDALE NISSAN LTD	90	60
DL	WILSON CHEV OLDS LTD	1	1
DL	WINDSOR MOTORS LTD	9	1
DL	WINNIPEG JEEP EAGLE INC	3	0
DL	WM McCARTHY LTD	2	2
DL	WM MCKEOWN MOTOR SALES LTD	1	0
DL	WOLFE CHEV OLDS GEO LTD	2	0
DL	WOLFE LANGLEY MAZDA LSG	0	6
DL	WOODBINE PONT BUICK GMC	162	139
DL	WOODBINE TRUCK CENTRE LTD	4	2
DL	WOODLAND AUTO LEASE LTD	1	0
DL	WOODLAND CHEV OLDS	10	5
DL	WOODBRIDGE LINCOLN MERCURY	370	264
DL	WOODSTOCK CHRY	44	22
DL	WA OFARRELL CHEV OLDS LTD	42	44
DL	WELCOME FORD SALES LTD	5	0
DL	WESTEND CHRY DODGE LTD	161	80
DL	WESTERN PONT BUICK GMC	2	2
DL	WALTER PICCOTT CHEV OLDS	1	0
DL	WANETA PLAZA TOYOTA	8	0
DL	WELCOME MOTORS LTD	4	2
DL	WESTERN LSG LTD	12	11
DL	WHITE HOUSE HYUNDAI	2	0
DL	WHITE ROCK HONDA	3	13
DL	WILLIAM CHRY LTD	3	0
DL	WILSON CHRY PLYM	1	6
DL	WOLVERINE FORD MERCURY	1	0
DL	WALLIS MOTORS LTD	3	0
DL	WATERLOO TOYOTA LTD	2	2
DL	WATKIN MOTORS LTD	1	1
DL	WESTCOAST IMPORT VEHICLES	2	2
DL	WESTCOAST MAZDA LTD	2	2
DL	WESTCOAST MOTORS LTD	8	4
DL	WESTCOAST TOYOTA LTD	18	7
DL	WESTGATE CHEV LTD	70	65
DL	WETASKIWIN MOTORS LTD	129	30
DL	WILLOWBROOK MOTORS LTD	0	1
DL	WOLFE LANGLEY MAZDA	14	7
DL	WOOD MOTORS LTD	9	9
DL	WOODCHESTER NISSAN INC	49	47
DL	WILSAND HOLDINGS LTD	154	69
DL	WAG LSG INC	45	24
DL	WOODGROVE CHRY	9	4
DL	WARD FORDS LTD	1	0
DL	WINDSOR HONDA LSG	1	0
DL	WESTMINSTER TOYOTA LSG LTD	0	1
DL	WOLFE AUTOHAUS LSG LTD	0	2
DL	WESTWOOD HONDA LTD	23	7
DL	WHARVES LSG	16	1
DL	WHITBY OSHAWA IMPORTS LTD	2	11
DL	WHITE ROCK HYUNDAI LTD	6	2
DL	WILLIAM LSG LTD	8	3
DL	WILLIAMSON MOTORS LSG	3	2
DL	WOLFE CHEV OLDS GEO LSG LTD	3	0
DL	WHITE ROCK HONDA LSG	0	10
DL	YAMASKA AUTO LOCATION INC	3	0
DL	YONGE & 7 PLYM CHRY INC	23	7
DL	YONGE LAWRENCE TOYOTA LTD	3	1
DL	YORKDALE LINCOLN MERCURY	43	36
DL	YARMOUTH PLYM CHRY LTD	2	4
DL	ZENDER FORD MERCURY LTD	27	3

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	ZEPHYR MOTOR LEASE LTD	124	124
DL	DOBSON CHRY DODGE LTD	3	2
DL	114446 CANADA LTD	3	0
DL	150480 CANADA LTD	38	0
DL	GRANT DODGE CHRY INC	1	3
DL	152633 CANADA INC	715	223
DL	153718 CANADA INC	53	30
DL	172276 CANADA INC	2	1
DL	1850 9315 QUEBEC INC	100	49
DL	2174 1202 QUEBEC LSG INC	20	11
DL	235450 ONT INC	3	3
DL	242747 ONT LTD	45	59
DL	2528 9323 QUEBEC INC	1	1
DL	2740 1561 QUEBEC INC	1	0
DL	286954 ONT LTD	9	0
DL	307711 AB LTD	3	1
DL	328633 BC LTD	3	0
DL	343331 ONT LTD	3	0
DL	4 SAISONS CHEV OLDS LTD	3	0
DL	401 DIXIE NISSAN LTD	26	8
DL	413984 BC LTD	11	0
DL	415841 ONT LTD	306	276
DL	440718 ONT LTD	0	1
DL	478828 AB LTD	8	0
DL	481239 ONT LTD	26	35
DL	502020 ONT LTD	9	10
DL	502386 AB LTD	8	1
DL	502657 AB LTD	1	4
DL	506555 ONT LTD	0	1
DL	519282 ONT LTD	3	0
DL	532190 ONT LTD	1	0
DL	564205 ONT LTD	13	5
DL	564661 ONT INC	1	0
DL	575911 ONT LTD	4	0
DL	599960 ONT INC	51	17
DL	616411 ONT LTD	2	0
DL	BELLEVILLE DODGE CHRY	11	8
DL	639275 ONT LTD	2	0
DL	655583 ONT INC	1	0
DL	688167 ONT INC	29	15
DL	704709 ONT LTD	18	6
DL	BANK ST JEEP EAGLE LTD	9	0
DL	718282 ONT INC	9	1
DL	724412 ONT LTD	169	118
DL	729752 ONT INC	6	8
DL	731282 ONT INC	155	96
DL	743101 ONT LTD	1	0
DL	743809 ONT INC	1	0
DL	MARKHAM JEEP EAGLE INC	12	10
DL	764691 ONT INC	3	0
DL	765620 ONT INC	2	1
DL	775458 ONT INC	0	2
DL	780580 ONT INC	1	1
DL	792031 ONT INC	2	2
DL	800537 ONT INC	3	0
DL	805658 ONT INC	33	23
DL	810292 ONT INC	0	1
DL	830598 ONT INC	6	1
DL	833676 ONT LTD	10	9
DL	844363 ONT INC	1	2
DL	417 JEEP EAGLE LTD	26	1
DL	859689 ONT LTD	12	8
DL	894161 ONT LTD	4	20
DL	90456 CANADA LTee	3	1
DL	905727 ONT INC	8	12
DL	911943 ONT LTD	7	1
DL	928926 ONT INC	8	1
DL	933160 ONT LTD	1	1
DL	EMBRUN DODGE CHRY INC	1	0

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
DL	951582 ONT INC	2	0
DL	952909 ONT LTD	52	33
DL	955562 ONT INC	1	1
DL	970953 ONT LTD	2	0
DL	KAWARTHA DODGE CHRY	34	9
DL	147402 CANADA INC	1	2
DL	042968 NB CORP	2	0
DL	965694 ONT INC	10	20
DL	985178 ONT INC	5	25
DL	BRAMPTON CHRY DODGE LTD	1	0
DL	159527 CANADA INC	0	1
DL	307616 ONT LTD	18	50
DL	408720 AB LTD	1	0
DL	75040 MB LTD	4	0
DL	995135 ONT LTD	11	0
DL	1089502 ONT LTD	0	1
DL	163679 CANADA LTEE	0	1
DL	355323 BC LTD	2	3
DL	477805 ONT INC	1	1
DL	564421 ONT INC	1	0
DL	639738 ONT LTD	1	0
DL	947688 ONT INC	1	0
DL	991808 ONT INC	0	1
DL	87687 CANADA LTEE	1	3
DL	328633 BC LSG LTD	11	6
DL	050624 NB INC	116	26
DL	1121121 ONT INC	14	8
DL	FOX CHRY DODGE LTD	2	0
DL	417 INFINITI NISSAN LTD	10	5
DL	414067 BC LSG LTD	1	0
DL	1015791 ONT LTD	0	1
DL	WINDSOR JEEP EAGLE INC	5	0
DL	30881311 QUEBEC INC	0	1
DL	31024524 QUEBEC INC	0	1
DL	ED SINASAC MOTORS	1	0
DL	487244 AB LTD	4	4
DL	FIVE STAR DODGE CHRY LSG LTD	8	6
DL	772289 ONT LTD	9	8
DL	982874 ONT LTD	3	0
Total Dealer Leased Vehicles		57116	38796

Category	Leasing Company	Dec. 1996 YE	YTD July 1997
ML		1	38
ML	AVANTE AUTOMOBILE CORP	26	11
ML	BMW CANADA INC	0	312
ML	BMW CANADA FINANCIAL SERVICES	1394	2031
ML	CHRY CANADA CREDIT LTD	42948	38714
ML	CHRY CANADA LTD	287	73
ML	FORD MOTOR CO CREDIT	77213	70972
ML	FORD MOTOR CO LTD	16	38
ML	GMAC LEASECO LTD	90278	86156
ML	GEN MOTORS LTD	27	12
ML	HONDA FINANCE INC	21151	20703
ML	HYUNDAI INC	3	5
ML	HYUNDAI CREDIT INC	251	1470
ML	HONDA INC	75	24
ML	INFINITI FINANCIAL SERVICE	25	29
ML	JAGUAR CREDIT INC	131	88
ML	JAGUAR INC	1	0
ML	LAND ROVER FINANCIAL	9	4
ML	LANDROVER FINANCIAL SERVICE	1	0
ML	MAZDA INC	17	7
ML	MERCEDES BENZ CREDIT	947	786
ML	MAZDA CREDIT INC	8923	7778
ML	MERCEDES BENZ	16	9
ML	NAVISTAR INTL CORP	0	1
ML	NISSAN FINANCE INC	6167	6434
ML	NISSAN INC	21	12
ML	PACCAR FINANCIAL SERVICES LTD	3	10
ML	PRIMUS AUTOMOTIVE FINANCIAL	0	2444
ML	SUZUKI INC	1	5
ML	SUZUKI CREDIT INC	974	777
ML	TOYOTA INC	14	6
ML	TOYOTA CREDIT INC	18764	18879
ML		3	0
ML	V W INC	29	41
ML	V W CREDIT INC	7414	5123
ML	VOLVO CREDIT LTD	2	14
Total Manufacturer Leased Vehicles		277132	263006
Total Leased Vehicles		407716	352128
Total Registrations (less GVW 8)		1162781	812363

VERTEX

APPENDIX II
DETAILED FINDINGS ON THE RELATIVE
COMPETITIVENESS OF LOANS AND LEASES IN
CANADA VS THE USA

Lease

Lease										Total monthly lease payment, pre-tax	Pretax payment as % of net cap cost	Residual as % of gross cap cost	
MSRP	Residual factor	Residual value	Capitalized cost	Cap cost reduction	Net capcost	Lease term (months)	Monthly depreciation fee	Interest rate	Interest factor	Monthly lease fee	Monthly lease payment, pre-tax	Pretax payment as % of net cap cost	Residual as % of gross cap cost
St. Louis													
Chev	17835	54%	9630.9	17731	0	17731	36	225.00	9.38%	106.98	331.98	1.87%	54.32%
Dodge	19000	50%	9500	19000	0	19000	36	263.89	8.00%	95	358.89	1.89%	50.00%
Ford													
Miami													
Chev	22209	53%	11770.77	22609	1000	21609	36	273.28	8.37%	116.37	389.65	1.80%	52.06%
Dodge	19800	57%	11343	20300	1000	19300	36	221.03	8.14%	103.97	325.00	1.68%	55.88%
Ford	13000			19900	0	19900	36	191.67	5.71%	78.33	270.00	1.36%	65.33%
Philadelphia													
Chev	18000	49%	8820	18495	0	18495	38	254.61	7.50%	85.39	340.00	1.84%	47.69%
Dodge	20110	50%	10055	19500	400	19100	36	251.25	7.01%	85.11	336.36	1.76%	51.56%
Ford	21000	58%	12180	19000	0	19000	36	189.44	8.00%	103.93	293.38	1.54%	64.11%
Minneapolis													
Chev	19545	60%	11727	17957	0	17957	36	242.11	10.04%	113.76	355.87	1.98%	51.46%
Dodge	20770	63%	13085	19545	0	19545	36	217.17	11.35%	147.83	365.00	1.87%	60.00%
Ford				18560	1000	17560	36	124.31	10.12%	129.22	253.52	1.44%	70.50%
Los Angeles													
Chev	19000	52%	9880	18200	0	18200	36	231.11	8.25%	96.53	327.64	1.80%	54.29%
Dodge	22000	55%	12100	22000	800	21200	36	252.78	8.09%	112.22	365.00	1.72%	55.00%
Ford	21990	67%	14733.3	20675	1000	19675	36	137.27	8.56%	122.73	260.00	1.32%	71.26%
Seattle													
Chev	17495	54%	9447.3	16400	0	16400	36	193.13	10.20%	109.85	302.98	1.85%	57.61%
Dodge	18890	56%	10500	20895	0	20895	36	288.75	8.64%	113.02	401.77	1.92%	50.25%
Ford	21025	64%	13491	19850	0	19850	36	176.64	9.10%	126.36	303.00	1.53%	67.96%
Cincinnati													
Chev	19000	54%	10260	18400	1000	17400	36	198.33	7.61%	87.68	286.01	1.64%	55.76%
Dodge	20570	58%	9800	18150	1000	17150	36	204.17	8.09%	90.82	294.99	1.72%	53.99%
Ford				18300	18300	1000	17300	36	142.71	7.35%	123.02	1.35%	66.46%
Brooklyn, NY													
Chev	18300	52%	9516	18300	0	18300	36	244.00	9.06%	105.00	349.00	1.91%	52.00%
Dodge	21600	49%	10584	20000	0	20000	36	261.56	7.80%	99.44	361.00	1.81%	52.92%
Indianapolis													

				Lease			
San Francisco	Chev	19275	19275	19275	246.29	10.41%	128.73
	Dodge	10408.5	0	0	240.56	10.36%	375.02
	Ford	10940	20600	1000	217.78	6.55%	131.87
Denver	Chev	12000	12000	22000	277.78	6.30%	87.22
	Dodge	12000	22000	0	22000	0	0.00262
	Ford	12060	20900	1000	20905	0	89.22
Washington, DC	Chev	18387	9561.24	18787	256.27	9.02%	106.59
	Dodge	12000	60%	20000	222.22	8.08%	362.86
	Ford	20905	64%	13379.2	209.05	8.70%	107.78
Phoenix	Chev	17825	9274	16825	209.75	7.88%	85.71
	Dodge	12098	57%	21225	225.75	8.84%	295.46
	Ford	11400	60%	19000	211.11	8.60%	119.11
Atlanta	Chev	19000	48%	9200	18000	9.31%	105.56
	Dodge	21145	52%	10995.4	20195	9.11%	350.00
	Ford	21145	52%	10995.4	21195	9.11%	118.46
Pittsburgh	Chev	17985	54%	9711.9	17385	9.10%	102.72
	Dodge	19500	59%	11600	18500	6.39%	315.86
	Ford	20210	60%	12126	19210	1000	80.15
Boston	Chev	20000	55%	11000	19000	7.99%	100.95
	Dodge	20000	55%	20000	222.22	7.74%	271.82
	Ford	20000	55%	11000	19000	7.74%	269.95
Detroit	Chev	17000	47%	7990	17000	7.18%	74.72
	Dodge	22000	57%	12540	0	6.06%	325.00
	Ford	22000	57%	12540	22000	6.06%	87.22

US averages:
 Chev 8.81%
 Dodge 8.13%
 Ford 8.07%
 Overall: 8.34%

n=14 observations
 r=16 observations
 r=11 observations
 N=41 observations

Standard Deviation
 1.04%
 1.40%
 1.21%
 1.25%

Lease				Canada				US				Differences			
				Average		N of obs.		Average		N of obs.		Positive=Canada better			
Vancouver	25000	11000	25000	1000	24000	36	361.11	8.15%	0.00340	118.89	480.00	2.00%	44.00%		
Chev	24230	12841.9	24230	1000	23230	36	288.56	9.50%	0.00396	142.78	491.34	1.86%	53.00%		
Dodge						36									
Ford						36									
Montreal	23865	12400	22325	0	22325	36	275.69	9.14%	0.00381	132.31	408.00	1.83%	55.54%		
Chev	23935	13403.6	21200	0	21200	36	216.57	10.57%	0.00440	152.38	368.94	1.74%	63.22%		
Dodge						36									
Ford	29573	16802.46	26930	1000	25930	36	253.54	11.21%	0.00467	199.64	453.18	1.75%	62.39%		
Toronto	23865	12409.8	21515.05	1000	20515.05	36	225.15	8.88%	0.00370	121.80	346.95	1.69%	57.68%		
Chev	9500	9500	22319	0	22319	36	356.08	5.75%	0.00240	76.26	432.34	1.94%	42.56%		
Dodge						36									
Ford	10500	10500	25910	1000	24910	36	400.28	5.75%	0.00240	84.84	485.11	1.95%	40.52%		
Calgary	25120	12200	23838	0	23838	36	323.28	11.15%	0.00464	167.38	490.65	2.06%	51.18%		
Chev	15000	15000	22250	1000	21250	36	173.61	6.91%	0.00288	104.39	278.00	1.31%	67.42%		
Dodge						36									
Ford	28329	16518	28639	0	28639	36	336.69	10.17%	0.00424	191.31	528.00	1.84%	57.68%		
Winnipeg	24200	15161.3	24448	1000	23448	36	230.19	9.00%	0.00375	144.81	375.00	1.60%	62.01%		
Chev	12891	12891	21280	1000	20280	36	205.25	11.87%	0.00495	164.10	369.36	1.82%	60.58%		
Dodge						36									
Ford	30234	19047.42	25000	0	25000	36	165.35	10.22%	0.00426	187.65	353.00	1.41%	76.19%		
Halifax	25565	12800	25915	1000	24915	36	336.53	11.36%	0.00473	178.47	515.00	2.07%	49.39%		
Chev	29600	19202.73	29600	0	29600	36	288.81	11.02%	0.00459	224.01	512.82	1.73%	64.87%		
Dodge						36									
Ford	33689														
Residual as % of gross cap cost		56.77%	16												
Pmt as % of net cap cost		1.79%	16												

-LOAN-

Interest
rate on the
loan

St. Louis	
Chev	7.50%
Dodge	8.00%
Ford	7.00%

Miami	
Chev	8.25%
Dodge	9.00%
Ford	7.75%

New Orleans	
Chev	7.90%
Dodge	
Ford	

Philadelphia	
Chev	8.50%
Dodge	8.90%
Ford	8.00%

Minneapolis	
Chev	9.50%
Dodge	8.25%
Ford	9.00%

Los Angeles	
Chev	8.75%
Dodge	8.50%
Ford	9.00%

Seattle	
Chev	9.00%
Dodge	8.75%
Ford	9.50%

Houston	
Chev	7.50%
Dodge	8.00%
Ford	8.75%

Cincinnati	
Chev	8.00%
Dodge	7.55%
Ford	8.00%

Interest
rate on the
loan

Chicago	
Chev	8.50%
Dodge	8.25%
Ford	

Brooklyn, NY	
Chev	7.90%
Dodge	
Ford	

San Francisco	
Chev	8.00%
Dodge	
Ford	8.00%

Washington, DC	
Chev	3.90%
Dodge	
Ford	8.50%

Phoenix	
Chev	9.50%
Dodge	9.25%
Ford	10.00%

Atlanta	
Chev	9.00%
Dodge	8.00%
Ford	

Pittsburgh	
Chev	8.00%
Dodge	8.50%
Ford	10.50%

Boston	
Chev	8.50%
Dodge	9.00%
Ford	

Detroit	
Chev	9.00%
Dodge	8.50%
Ford	8.95%

Interest
rate on the
loan

Vancouver	
Chev	8.00%
Dodge	7.90%
Ford	7.90%

Montreal	
Chev	7.90%
Dodge	7.90%
Ford	9.25%

Toronto	
Chev	7.50%
Dodge	7.50%
Ford	8.50%

Calgary	
Chev	6.90%
Dodge	7.25%
Ford	6.60%

Winnipeg	
Chev	3.90%
Dodge	6.50%
Ford	7.50%

Halifax	
Chev	8.50%
Dodge	6.00%
Ford	8.00%

Canada	
%	N. of obs.
7.12%	6
7.18%	6
7.96%	6
7.42%	18

U.S.	
%	N. of obs.
8.18%	18
8.46%	14
8.69%	13
8.41%	45

Differences (Positive=Canada better)	
1.06%	
1.29%	
0.73%	
1.00%	



CANADIAN BANKERS ASSOCIATION

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R. Alan Young (Ext. 311)
VICE-PRESIDENT, POLICY

delivered

December 18, 1997

Mr. Dennis DesRosiers
President
DesRosiers Automotive Consultants
100 Mural Street, Suite 102
Richmond Hill, Ontario
L4B 1J3

Dear Mr. DesRosiers:

Re: Canadian Automobile Leasing Industry Background Paper for the Task Force

Thank you for providing the Canadian Bankers Association (CBA) with the opportunity to meet with you on December 9th to discuss several of the issues which you will be addressing in your background paper on automobile leasing for the Task Force on the Future of the Canadian Financial Services Sector.

At our meeting you requested that the CBA provide you with information regarding the regulation of automobile leasing activities in other jurisdictions. In particular, you requested details as to the ability of credit unions in Canada to engage in auto leasing and the extent to which open-ended consumer leases are permitted in the United States. At present, credit unions have the power to engage in automobile leasing in every province except New Brunswick. With respect to the second issue, open-ended consumer leases are permitted pursuant to the provisions of the U.S. *Truth in Lending Act*. However, this legislation provides that, where the estimated residual value exceeds the actual residual value by more than three times the average monthly lease payment, a presumption may be made that, subject to evidence to the contrary, the lessor's estimate of the residual value was not made in good faith. In those circumstances, the lessee will not be held responsible for any amount in excess of the three month payment sum. Similar legislation exists at the state level (modelled after the Uniform Consumer Credit Code), although states may elect to impose a two month payment value cap, rather than a three month payment value cap as prescribed by the federal legislation, as the limit on consumer liability for residual value.

You also requested that we provide you with data regarding personal deposits as a source of bank financing of its lending activity. As we noted in our meeting, savings patterns are changing dramatically as Canadians shift from traditional deposits to other products such as mutual funds, with the result that deposits are representing an increasingly smaller share of bank activities. Attached please find copies of charts produced by John McCallum, Senior Vice President & Chief Economist, Royal Bank of Canada, which illustrate this sharp decline in personal deposits and growth in mutual funds (Chart 6). In addition, Chart 7 sets out the growing gap between the volume of personal deposits and the volume of bank credit. According to the Bank of Canada Review, personal deposits, measured in comparison to the

size of banks' assets, have fallen from 14.8% in January 1994 to 8.8% as at September 1997. In this regard, we would refer you to the Appendix (found at page 7) of the Royal Bank's November 1997 issue of the Financial Industry Monitoring Service (attached), which details "Demographics and the financial industry's balance sheet". Finally, we also enclose a set of charts documenting "deposit disintermediation".

In addition to the above issues, we wish to elaborate on the following points, raised at the meeting, which address particular elements of the Canadian banking sector.

Unfair Competition/Bank "Subsidies"

The argument that banks draw on an unfair subsidy through the CDIC is without foundation. First, with the changes this year to the legislation affecting CDIC, there is no price advantage or "subsidy" to CDIC operations. CDIC is charged a fee for any borrowing it undertakes, whether from the government or from the marketplace, with the fee intended to eliminate any price advantage CDIC may have from being a Crown agency. In other words, CDIC is simply an insurance system for a portion of the banks' activities, designed to protect retail depositors, undertaken at market costs. In fact, far from being a subsidy, CDIC coverage cost the banks \$440 million last year, and \$2 billion since 1989, with no corresponding benefit to the banks or their customers. In any event, the banking community has indicated that it neither wants nor needs access to the Consolidated Revenue Fund, and has called on the government to undertake a fundamental reconsideration of deposit insurance.

Given all the costs that are imposed on the banks through CDIC, the whole regulatory apparatus, and specialized taxes that only apply to financial institutions, it is likely that the manufacturers and the captive finance arms actually have access to cheaper funds than do the banks. The CBA would encourage you to examine this area in greater detail, since it would appear that it is the automobile manufacturers who, as a normal course of business, subsidize the lease financing offered by their captive financing companies.

We also attach, for your information, a copy of a report entitled "The Impact of Banking and Financial Services on the Canadian Macroeconomy", recently prepared for the CBA by Peter Dungan of the Institute for Policy Analysis at the University of Toronto. Professor Dungan concludes, at pages 16-18, that the banking and financial services sectors "receive no significant subsidies to speak of" relative to other sectors.

Concentration

Some bank critics make the argument that the banking industry is already too concentrated, and that therefore banks should not be allowed into more businesses because consumer choice will be reduced. This argument both is factually wrong and misunderstands the relationship between concentration and competition in the marketplace.

On the issue of actual concentration levels, according to the Competition Bureau Guidelines, the banking industry is not overly concentrated. These guidelines set out two main criteria: (1) the Bureau would not challenge a merger on the grounds of concern about concentration if the marketshare of the merged entity would be less than 35% after the merger took place; and (2) the Bureau would not challenge a merger on concentration grounds if the marketshare of the four largest firms would be less than 65% after a merger took place. With respect to the first rule, even if the two largest banks (Royal Bank and CIBC) were to merge, the resulting entity would be well within the 35% guideline. The merged entity would represent, for instance, only 29% of the personal deposit market and 27% of the residential mortgage market. As for the 65% rule, here again we can see that the banking industry is well within the guidelines. The four largest banks are considerably below the 65% level, at about 48% of the personal deposit-taking market. In fact, the "Big Six" banks collectively represent about 62% of the deposit market. Moreover, the banking industry as a whole represents only 26% of the mutual fund industry, and about 50% of the residential mortgage market. As for automobile leasing, the Competition Bureau, in its submission to the Task Force, states that there is no competition reason why banks should not be allowed into the auto leasing business.

It is also important to note that a relatively higher level of concentration in a sector does not mean a lack of competition. In fact, there is no clear link between concentration and a lack of competition. A country with a higher level of concentration will still have a very competitive marketplace if the dominant firms cannot exercise market power, and if the market is open to new entrants. Both these conditions clearly apply in Canada. Presently no single bank represents more than 12% of domestic assets, and the banks' share of private financial intermediary assets (that is, the booked-in-Canada assets of all private sector financial institutions) has been declining steadily over the past century, falling from about 80 per cent in 1870 to approximately 45 per cent in 1994. Furthermore, in the past 24 months alone, the following banks have received or applied for approval to commence business operations in Canada: ING Bank of Canada (The Netherlands), Citizens Bank (Canada), Wells Fargo Bank (U.S.), Rabobank Canada (The Netherlands), First Nations Bank (Canada), Valley National Bank (U.S.), Capital One Bank (U.S.), MBNA Canada Bank (U.S.) and Comerica Bank (U.S.). This trend seems to be continuing. Recently, for instance, Countrywide Credit, the largest independent mortgage lender in the U.S., was reported to be considering entering Canada.

It is useful to note that, in every field that banks have been allowed to enter, competition and consumer benefit have increased. For example, with respect to residential mortgages, bank entry since the 1960's has increased the volume of credit to consumers and lowered spreads; volumes for 1970 were 19% while in 1996 they reached 44% (volume of credit measured as a percentage of GDP). Alternatively, spreads (measured as a comparison between mortgage rates and the average yield of Canada bonds) were volatile in the 1970's and early 1980's, reaching highs of 4% in 1970-71, 1974-75, and 1981-82, but have settled down to under 2% today. In this regard, the House of Commons Finance Committee in 1982 concluded that,

.... The active participation by chartered banks in the mortgage field has intensified competition. This is evidenced by the introduction of more flexible term mortgages and a slower rise in the five-year prime conventional mortgage rate relative to other administered rates throughout much of the early and mid-1970's.

The same observation may be made with respect to commission levels/number of players in the securities industry: commission levels have fallen following bank entry into the securities industry. For example, commissions have declined as a percentage of total TSE and MSE volume of trading (1987: 1.6%; 1995: 0.9%). Commission rates have fallen 45% since banks entered the market, while the number of firms competing in the market has increased from 108 in 1987 to 182 in 1996, resulting in increased choice for consumers and businesses. Clearly, past experience has shown that bank entry into a new segment of the finance sector increases customer choice, introduces real competition into the marketplace, and generally "grows" the whole market for the benefit of all.

Any consideration of the issue of concentration must not overlook the high levels of concentration in the automobile leasing industry. The foreign financing arms of the auto manufacturers currently control 75% of the Canadian market, with over 80% of the Canadian auto lease market under the control of foreign conglomerates. The *Bank Act* restrictions have the perverse effect of maintaining a high level of concentration in the lease financing industry and keeping that concentration in foreign hands, and it is the consumer who suffers.

Although, as we have shown above, the banking sector in Canada is open to the arrival of new competitors to increase the range of competition for consumers, the captives' auto lease financing market remains protected from competition. Given the nature of the relationship between the manufacturers and the dealers, the captive financing arms of the manufacturers are in a position to control supply, terms, conditions etc. in the dealer marketplace without any threat of competition from other providers.

Residual Risk

The assertion made by some critics that banks lack sufficient experience in the leasing business to successfully manage residual value risk, and should therefore be prohibited from offering lease financing, is similarly unfounded. Put simply, banks are in the business of risk management: it is their core competency and they are very successful in managing risk across a wide range of fields, such as residential mortgages, commercial mortgages, collateralized loans, derivatives, etc. Sophisticated risk management systems and expertise have been developed by the various risk management departments of each of the banks.

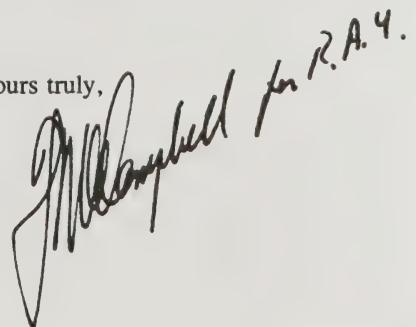
With respect to the specific matter of residual value risk in automobile leasing, some of our banks have what opponents of bank participation in leasing like to call "a similar product", ie. a buy-back or balloon payment loan program, and successfully manage the residual value risk. In fact, one bank has successfully managed the risk associated with this type of product for 14 years. There is no reason to suggest that other banks, if allowed into

the leasing field, could not draw upon their risk management expertise to successfully manage a leasing program. Despite individual instances of poor risk management by a select number of financial institutions in the United States, it is important to note that no bank has failed due to improper residual value risk management. We would also note on this point that some critics of bank entry into leasing argue that because banks are able to offer the "similar" kinds of products noted above, there is therefore no need for banks to enter the leasing field. As we indicated at our meeting, however, the auto leasing prohibitions imposed on banks mean that this industry cannot design, describe, or market our financing products in the same way as the captives. In short, the rules prevent the banks from competing directly and "toe-to-toe" with the captives with the same kind of product and on the same kind of terms.

Risk management is also an area to which government regulators pay close attention. Two points should be noted here. First, the fact that the potential for risk exposure may exist should not be used as an excuse to ban banks from undertaking a given activity. There are risks in lending, in derivatives, in treasury operations - the answer is not to prohibit banks from lending or investing, but rather to manage risk appropriately and, where necessary, ensure that appropriate supervision is in place by the regulator. Second, the risks banks are exposed to are closely supervised by the regulators. Is the same true of automobile manufacturers and dealers?

The CBA is pleased that the Task Force is undertaking a research-oriented study of the automobile leasing industry in Canada, and that you will be providing the Task Force with a balanced and detailed review of the industry. As we noted at our meeting, we are continuing our research in the leasing field as part of our efforts to provide the Task Force and government policy makers with solid data and analysis to assist their deliberations on leasing and other issues of importance to the industry and consumers. We will bring our research to the Task Force's attention as it is completed over the coming weeks. In the meantime, we would be pleased to assist you in whatever way possible with your work for the Task Force on this very important issue. Please feel free to call me, Terry Campbell (ext. 301) or Sara Gelgor (ext. 321) if you have further questions.

Yours truly,



Terry Campbell for R.A.Y.

RAY/s^g
Encls.



CANADIAN BANKERS ASSOCIATION

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R. Alan Young (Ext. 311)
VICE-PRESIDENT, POLICY

Via facsimile

January 21, 1998

Mr. Dennis DesRosiers
President
DesRosiers Automotive Consultants
100 Mural Street, Suite 102
Richmond Hill, Ontario
L4B 1J3

Dear Mr. DesRosiers:

Re: Canadian Automobile Leasing Industry Background Paper for the Task Force

At our meeting on December 9th you raised a number of issues which the dealer and manufacturer lobbies have presented to you as grounds for maintaining the current prohibitions against bank participation in automobile leasing. We are writing to follow up our letter to you of December 18, 1997 and provide you with further comments on several of the outstanding issues, which you may find useful in preparing your background paper on automobile leasing for the Task Force on the Future of the Canadian Financial Services Sector (the "Task Force").

The Importance of 'CCA' in the Debate Surrounding Bank Entry Into Automobile Leasing

Automobile manufacturers and dealers assert that if banks were allowed into leasing they would use the CCA from their lease book to shelter other income in the bank, and that access to CCA is the principal incentive for the banks' interest in leasing. This assertion is simply not valid. The *Income Tax Act* restricts the claiming of capital cost allowance on leasing properties to the amount of income earned from renting or leasing such property. Therefore a bank would be unable to shelter other income by creating a loss on its lease book. We realize CCA restrictions are relaxed in the case of principal business leasing corporations. However, to qualify for status as a principal business leasing company (PLC), the entity's principal business must be the renting and leasing of "leasing" property and 90 per cent of its gross revenue must come from such type of business. Even if a bank were to incorporate a subsidiary which qualified as a PLC, it could only use the CCA to shelter income in the subsidiary. Banks would receive no greater advantage than a regular principal business leasing company.

Leases vs. "Lease-Like" Products

At our December 9th meeting, we discussed the extent to which the ability to engage in automobile leasing would permit banks to offer consumers a product that is different from any of the products currently available from banks. Banks currently offer two products that either resemble a lease or enable dealers to offer leases: balloon loans and indirect or dealer plan leases.

Balloon Loans

While balloon loans mimic leasing, in that the amount financed is not fully amortized over the term of the loan, there are some clear distinctions between this product and a traditional lease. A lease is considered a monthly sale. GST and PST are calculated on the rental payment. There is no GST or PST paid on the residual amount unless the customer exercises the option to purchase the vehicle at lease termination. A customer financing the acquisition of a vehicle with a balloon loan, however, would pay GST and PST on the full purchase price. This difference in calculation of taxes represents a saving in favour of the lease option. Banks are prohibited from offering such savings to their customers.

Indirect/Dealer Plan Leases

This option enables automobile dealers to provide their customers with a leasing product financed by a bank, which is an alternative to the manufacturer's captive finance company's lease product. The dealer originates this product, and the customers perceive that the dealer is providing the financing. The customers may not be aware, however, that they have a choice from a variety of providers through the dealer, or that one of those providers may be "their bank". The banks have no interest in where the customers purchase their vehicles; they merely wish to be able to provide an opportunity for their customers to have greater choice. Consumers seeking to finance the acquisition of a vehicle through a loan know that they may obtain such financing from a variety of providers through the dealer, including banks. We see no reason why consumers should not have the opportunity to make similar choices for lease financing.

Conflict of Interest

It has been alleged by industry competitors that bank participation in automotive leasing would place banks in the potential conflict position of simultaneously financing and competing with the dealer lessors. It is interesting that this allegation is restricted to leasing, and is not made in the context of loan financing, where dealers and the manufacturers' financing arms compete directly with banks for what is essentially a bank product. Banks have been working in partnership with dealers for quite some time in offering loan financing to customers through the dealer, while at the same time providing business financing to the dealership. This does not appear to concern the dealer lobby. Moreover, the fact that banks

provide financing to dealers has not precluded bank participation in the automobile leasing industry in a number of jurisdictions, including the United States.

In any event, notwithstanding the above, dealer lessors are not restricted to meeting their finance needs from a single bank or even from banks in general. They have access to a broad range of alternative financing sources including provincially regulated trust companies, credit unions, insurance companies and unregulated asset-based finance companies such as GE Capital and Newcourt Credit. Moreover, if there is any conflict, the large manufacturers' captive finance companies are in a similar relationship with the dealer lessor because they finance dealerships while simultaneously competing for leases brokered to them by the dealers. The dealer lobby has repeatedly alleged that bank entry would have a severe impact on those dealers who offer independent leasing through their own leasing companies. The same allegation must therefore hold true for the manufacturers' financing arms, as they presently compete with the independent dealer leasing companies.

It should also be noted that this dubious conflict of interest argument only applies to the small minority of dealers who are truly independent of the automotive manufacturers. (Our research, a copy of which was provided to you, indicates that less than 5 per cent of new vehicles registered are financed with a dealer lease. That figure includes those dealer leases which are financed by a financial institution's dealer lease plan.) The vast majority of dealers serve only as brokers for the leasing products of the automotive manufacturers' captive finance companies. Even if the conflict of interest argument were persuasive, it would not be relevant to most car dealers.

With captive finance companies owned by the manufacturers, the real potential for conflict of interest and threat to the independence of dealers comes from operating under a captive financing arrangement with an automotive manufacturer. Dealers are in fact concerned by the concentration of power in the hands of the automotive manufacturer and sales finance arms which effectively control their franchise, vehicle supply, and financing. (See, for example, the attached copy of an article which appeared in the January 16, 1998 edition of the *Globe and Mail*, at p. B5.) The potential for the manufacturer and captive financial companies to conduct their business to the detriment of the dealership franchise is great. For instance, there is a potential conflict of interest in the case where the automotive manufacturer's finance company's rate of approval of dealer leasing deals would vary depending on whether the dealer's inventory system is being financed (floor plan financing) by the same manufacturer's captive finance arm. This could strongly deter the dealer from seeking alternative financing sources. Another potential source of conflict would be a situation where the mix of vehicles available to the dealer from the manufacturer would vary depending on whether the inventory is financed through the manufacturer's finance affiliate. High demand vehicles can be diverted to those dealers that also offer captive financing.

Dealers, as well as automobile manufacturers, are bank customers and banks have a vested interest in the success of their businesses. Canadian banks compete aggressively with each other to provide the best products to their customers. Market forces ensure that any

conflicts which may arise are resolved through open competition, and ultimately, consumer interests drive the market. As the Task Force has noted in its June 1997 Discussion Paper, "where effective competition exists among participants in a market, they are driven to perform in the interests of their customers" (at p. 6).

Finally, as you are aware, banks have in place comprehensive privacy and tied selling codes of conduct. Concerns about banks being in a position to directly market lease services to their dealer customers' customers are without merit. Rather, bank participation in the leasing industry will provide dealers and consumers with additional choice, and any allegations of banks being placed in a conflict of interest bear little relevance to the issue.

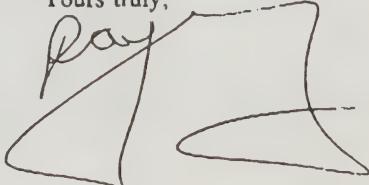
Disclosure To Consumers By Manufacturers' Captive Finance Companies

The Canadian automobile industry announced the voluntary implementation of full disclosure, plain language leasing contracts, effective January 1, 1997. The manufacturers have introduced the new contracts and they are required for all leases referred to their finance subsidiaries. Consumers now have access to the capital cost, the residual value, the annual percentage rate, and any purchase option or right to early termination prior to making any commitment. While it is clear that the majority of leases written are the full disclosure, plain language contracts, a serious concern remains with respect to the point in the process at which the consumer is provided with the contract and full disclosure.

The Automobile Protection Association (APA) recently released the results of its undercover lease investigation. According to the report, 59 per cent of the dealers investigated failed the group's lease disclosure test. The APA found that while dealers may use the full disclosure contract they seldom provided the information prior to the deal being made. In addition, many automobile dealers are not using the new contracts for their wholesale (in-house) leases. Unlike the manufacturers who can enforce the use of the new contracts, the industry has no way of monitoring what dealers do with their wholesale leases.

We hope that our comments are useful in addressing some of the issues which you raised at our meeting. As we indicated previously, we are undertaking further research in the leasing field in order to assist the Task Force and government policy makers with their consideration of this important issue. Should you have any questions, please do not hesitate to call me or Sara Gelgor (ext. 321).

Yours truly,

A handwritten signature in black ink, appearing to read "Ray Protti". The signature is fluid and cursive, with a large, stylized "R" and "P" at the beginning.

RAY/s^g
Encl.

cc Ray Protti

Appendix E:

List of Task Force Submissions and Public Documents Reviewed

1. "Choice: Financial Services into the 21'st Century", Canadian Finance and Leasing Association (CFLA)
2. "Banks and the Vehicle Leasing Business", Canadian Automobile Dealers Association
3. Submission to the Task Force on the Future of the Canadian Financial Services Sector, Canadian Vehicle Manufacturers Association
4. Submission Summary, Paul O'Regan and Stephen O'Regan
5. Submission by Fair Isle Ford Sales, PEI
6. Auto Financing Update, Infobank Services Corp., various issues
7. "Submission to the Task Force on the Future of the Canadian Financial Services Sector" Canadian Bankers Association
8. Various Documents, Consumers Association of Canada
9. Various Documents, Automobile Protection Association
10. Audio tape "The Consumer / Retail Portfolios: Panel Discussion", The Consumer Banker Conference, 1994
11. Canadian Banker, July-August 1996 Vol. 103
12. "Policy Alternatives for Canadian Financial Services", Bank of Montreal
13. Mandate Ballot Results, Banks & Leasing, Canadian Federation of Independent Business
14. "Agreement for Harmonization of Cost of Credit Disclosure Laws in Canada", Consumer Measures Committee, September 1997
15. "Leasing in Canada: 1997, An-Overview", CFLA, December 1997
16. "Turning the Lights on Leasing" CFLA
17. Various R.L. Polk Registration Data, Provided by GMAC
18. Canadian Credit Markets, John McCallan, Royal Bank of Canada, October 1997
19. "Is Demographics Behind Growth in Household Wealth and Wealth Management?", Royal Bank, November 1997
20. "The Impact of Banking and Financial Services on the Canadian Macroeconomy", Peter Dungan, Institute for Policy Analysis, University of Toronto, October 1997
21. "Privacy Model Code", Canadian Bankers Association, November 1996
22. "Three C's for Canadian Banking: Conduct, Competition, Concentration" Royal Bank of Canada, April 1997

23. "Presentation on the Canadian Vehicle Lease Market", CADA, November 1997
24. "Newline", CADA Newsletter, various issues
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